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Supreme Court of the United States

In re DBC

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE
FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

The Appointments Clause of the Constitution, art. II, § 2, cl. 2, allows Congress to vest powers to appoint inferior officers in the President alone, the Courts of Law, or in Heads of Departments. In this case, two members of the Board of Patent Appeals and Interferences (“Board”) of the United States Patent and Trademark Office (“PTO”) that ruled on the claims of the Petitioner’s patent were appointed by the Director of the PTO in violation of the Appointments Clause of the Constitution. Congress subsequently passed legislation to redress this issue. The questions presented are:

1. Whether the PTO has jurisdiction to pass on the constitutionality of its own federal statutes or whether such constitutional issues should be heard in the first instance by the Federal Circuit as an Article III Court;
2. Whether 35 U.S.C. § 6 as amended in the Act of Aug. 12, 2008, Pub. L. No. 110-313, 122 Stat. 3014, violates the Appointments Clause of the United States Constitution; and
3. Whether Congress exceeded its power by authorizing retroactive appointments in Congress’s amendment to 35 U.S.C. § 6 in the Act of Aug. 12, 2008, Pub. L. No. 110-313, 122 Stat. 3014.

CORPORATE DISCLOSURE STATEMENT

Pursuant to Supreme Court Rule 14.1(b), Petitioner DBC, LLC ("Petitioner") states that all parties to the proceedings below appear in the caption of the case on the cover page.

Pursuant to this Court's Rule 29.6, undersigned counsel state that Petitioner has no parent company. No publicly held company owns 10 percent or more of DBC.

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OPINIONS BELOW

Petitioner DBC, LLC, ("DBC") respectfully submits this petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit entered in this action on November 3, 2008. The opinion of the Court of Appeals is reported at 545 F.3d 1373. (App., *infra* 1a-24a.) The order denying DBC's Petition For Rehearing and Rehearing En Banc is unreported. (*Id.* 62a-63a). The decision of the Board of Patent Appeals and Interferences ("Board") of the United States Patent and Trademark Office ("PTO") is also unreported. (*Id.* 25a-61a).

JURISDICTIONAL STATEMENT

The Board had jurisdiction over the final rejection in the *ex parte* reexamination proceeding pursuant to 35 U.S.C. §§ 134 and 306. The Federal Circuit had jurisdiction to hear DBC's appeal under 28 U.S.C. § 1295(a)(4)(A), and filed its opinion on November 3, 2008. The statutory basis for the appeal to the Federal Circuit is 35 U.S.C. §§ 141 and 306. DBC's timely Petition for Rehearing and Rehearing En Banc was denied on January 6, 2009. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The questions presented arise from an objection made under the Appointments Clause of the United States Constitution, art. II, § 2, cl. 2, which states:

[The President] shall nominate, and by and with the Advice and Consent of the Senate, shall appoint Ambassadors, other public Ministers and Consuls, Judges of the supreme court, and all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.

35 U.S.C. § 6(a) prior to August 12, 2008, stated:

There shall be in the United States Patent and Trademark Office a Board of Patent Appeals and Interferences. The Director [of the PTO], the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Director [of the PTO].

The amended 35 U.S.C. § 6(a), pursuant to the Act of Aug.12, 2008, Pub. L. No. 110-313, 122 Stat. 3014, states:

There shall be in the United States Patent and Trademark Office a Board of Patent Appeals and Interferences. The Director [of the PTO], the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Secretary of Commerce, in consultation with the Director [of the PTO].

The amended 35 U.S.C. § 6 also added two new subsections which state:

(c) Authority of the Secretary – The Secretary of Commerce may, in his or her discretion, deem the appointment of an administrative patent judge who, before the date of the enactment of this subsection, held office pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge.

(d) Defense to Challenge of Appointment – It shall be a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge's having been

originally appointed by the Director that the administrative patent judge so appointed was acting as a de facto officer.

STATEMENT OF THE CASE

I. OVERVIEW OF THE CASE

The Appointments Clause of the Constitution vests in the President the power to nominate and appoint "all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law . . .". U.S. Constitution, art. II, § 2, cl. 2. (App. 64a.) This Appointments Clause is directed toward the preservation of separation of powers in the United States Government.

This case raises two serious constitutional questions rooted in the preservation of separation of powers under the Appointments Clause of the Constitution, art. II, § 2, cl. 2. The first concerns the constitutionality of the appointment of members of the Board of Patent Appeals and Interferences that presided over this *ex parte* reexamination. The Government concedes that two members of the Board were appointed in violation of the Appointments Clause. However, the Federal Circuit held that the Appointments Clause issue in this case was waived by failing to raise the issue before the Board, and refused to exercise its discretion to hear the Appointments Clause argument despite its alleged waiver.

Additionally, this case leaves in contention a second constitutional issue: the constitutionality of amended 35 U.S.C. § 6(a). The Government argued that Congress's act in amending 35 U.S.C. § 6(a) and adding §§ 6(c) and 6(d) both prospectively and retroactively fixed the Appointments Clause violation. The Federal Circuit reasoned, in part, in denying to hear DBC's Appointments Clause argument that because of this "remedial" legislation, the Board could just "simply (and legitimately) assign the case to the same panel." (App. 14a). However, amended 35 U.S.C. § 6 violates the constitution because 1) the new legislation mandates that the judges shall be "appointed by the Secretary of Commerce, *in consultation with the Director [of the PTO]*," which does not remedy the constitutional appointments clause violation of the previous statute, and 2) it exceeds the authority of Congress to vest retroactive appointment power in the Secretary of Commerce. Thus amended § 6 provides neither a prospective, nor a retroactive, cure to the constitutional Appointments clause defect.

In the history of congressional legislation, never before has Congress attempted to vest retroactive appointment power of inferior officers in the President, a Court of Law, or a Head of Department. Yet while oral argument of this case was pending before the Federal Circuit, Congress passed such an act authorizing the Secretary of Commerce to retroactively appoint administrative law judges that were unconstitutionally appointed by the Director of the PTO, and to render the past actions of such judges "*de facto*" valid. The Government then asserted that "[o]n August 12, 2008, the Secretary re-appointed the two judges whose

appointments DBC seeks to challenge . . . effective on the respective dates they were initially appointed by the Director,” and that such retroactive appointment resolved petitioner’s constitutional concerns. (08/20/08 Supplemental Response Brief at 6.)

Allowing this argument to stand is tantamount to allowing Congress and the Executive to agree to waive the structural protections of the Appointments Clause, and this Court has explicitly disallowed such action. See *Freytag v. Comm’r of Internal Revenue*, 501 U.S. 868, 880 (1991). Such a “waiver” of constitutional proportion prevents any case on direct review from challenging the validity of the actions of an unconstitutionally appointed administrative patent judge. It also ignores the grave concerns that this Court has voiced with regard to the Appointments Clause.

“The ‘manipulation of official appointments’ had long been one of the American revolutionary generation’s greatest grievances against executive power . . . because ‘the power of appointment to offices’ was deemed ‘the most insidious and powerful weapon of the eighteenth century despotism.’” *Freytag*, 501 U.S. at 883 (internal citation omitted). The Framers addressed this concern by restricting appointment power to ensure accountability to political forces and to the people. *Id.* at 883-84. Although the Director retains significant authority in selecting Board panels and designating Board decisions precedential, judges within the Board are uniquely empowered to render judgment in individual cases and, if necessary, to render judgment

against the PTO.¹ Allowing the Director to appoint the members of the Board diffuses appointment power from the Secretary of Commerce and frustrates the ability to ensure the accountability envisioned by the Framers. Further allowing Congress to deny a party relief from such a constitutional transgression undermines the public importance of maintaining the structural integrity of our Republic. The history of cases similarly situated calls for a resolution of this issue, and the unprecedented reach of Congress's action justifies a clarification by this Court of Congress's power to redress unconstitutional appointments.

II. BACKGROUND OF THE CASE

A. The Board Decision

In *ex parte* reexamination proceedings before the PTO, all claims of U.S. Patent No. 6,730,333 ("the '333 patent") were rejected as obvious. Petitioner appealed a number of the rejected claims to the Board under 35 U.S.C. §§ 134, 306, but the rejection was affirmed by the Board. (App. 26a.) However, two of the administrative patent judges who rejected DBC's patent, Judges Tierney and Moore, were appointed after March 29, 2000, when amended 35 U.S.C. § 6(a) providing for the appointment of administrative patent judges by the Director of the PTO took effect. As such, Administrative Patent Judges Tierney and Moore were

¹ See John F. Duffy, *Are Administrative Patent Judges Unconstitutional?* 2007 Patently-O Patent L.J. 21, 3 n.1, (updated version), available at <http://ssrn.com/abstract=1128311>.

appointed by the Director in violation of the Appointments Clause of the United States Constitution. In light of these and other errors, Petitioner appealed to the United States Court of Appeals for the Federal Circuit. (App. 5a-6a.)

B. The Federal Circuit Proceedings

DBC timely appealed the Board's Decision. After the filing of opening and reply briefs, Petitioner timely submitted a supplemental brief challenging the constitutionality of the appointments of two out of the three presiding judges of the Board. These judges, Administrative Patent Judges Tierney and Moore, had been appointed by the Director of the PTO. (05/27/08 Supplemental Brief at 3-4.) Before the Government's supplemental response brief was filed, Congress passed legislation to amend 35 U.S.C. § 6. *See* Act of Aug. 12, 2008, Pub. L. No. 110-313, 122 Stat. 3014. (App. 65a.)

A week after this legislation was passed, the Government filed its supplemental response brief. The Government argued 1) that Petitioners had waived its argument and 2) that Congress had enacted legislation removing the basis for Petitioner's constitutional objection. (08/20/08 Supplemental Response Brief.)

Both parties were given ample time to brief their arguments on this constitutional issue, and these issues were argued before the Federal Circuit. The Government acknowledged that it was not aware of any case in which a party raised the constitutional appointment challenge before the Board. (09/03/08 Oral Argument at 22:00-22:17.) Indeed, no case could ever

raise this challenge before the Board because parties are not made aware of the composition of the Board until either the day of oral argument or the day the Board's decision is rendered. The Government also admitted that only one other case on direct review was likely to raise an appointments challenge before the Federal Circuit.² (*Id.* at 22:18-22:35.)

In response to the Government's timeliness challenge, Petitioner argued that even when untimely challenged, this Court had exercised its discretion in favor of resolving Appointments Clause challenges. *See, e.g., Freytag*, 501 U.S. at 872-73 (granting writ of certiorari to a challenge first raised before the Court of Appeals); *Glidden Co. v. Zdanok*, 370 U.S. 530, 536 (1962) (noting this Court's hearing of an Appointments Clause challenge that was not filed until a supplemental brief before this Court); *cf. Nguyen v. United States*, 539 U.S. 69, 73, 77 (2003) (hearing a challenge to the constitutionality and statutory permissibility of a judging panel that was not raised until the petition for writ of certiorari). Cooperation between Congress and the Executive cannot shield a constitutional violation from judicial review. *See Freytag*, 501 U.S. at 880. In particular, the Appointments Clause does more than prevent one branch from aggrandizing power at the expense of another; it preserves structural interests of

² The case referred to, *In re Hickman* (2008-1437), did in fact raise the appointments clause issue in its briefing before the Federal Circuit. The Federal Circuit heard oral argument in *Hickman* on April 2, 2009. Using *DBC* as precedent, the Government argues that an Appointments Clause challenge is waived if not brought before the Board. (4/2/09 Oral Argument.)

the entire Republic that are broader than that of any one branch. *Ryder v. United States*, 515 U.S. 177, 182 (1995); *Freytag*, 501 U.S. at 880. Consequently, the seriousness of a violation of the Appointments Clause trumps any allegation that petitioner had waived this argument.

The Government also relied on Congress's legislation to argue that the Appointments Clause challenge was resolved. Petitioner responded by arguing that Congress's authorization of retroactive appointment power exceeded its power under the Appointments Clause and was not supported by the decisions of this Court. (09/03/08 Oral Argument at 1:05-1:30.)

Although Congress added a *de facto* officer defense to a challenge of appointment in the amended statute, the statute neither defined nor explain this doctrine. Rather, the doctrine has been judicially defined, and the Government conceded that its reliance on the *de facto* officer doctrine operated under judicial concepts. (*Id.* at 30:12-30:17.) The Government argued that the judges' actions were valid *de facto* because their unconstitutional appointments were merely a technical defect. (08/20/08 Supplemental Response Brief.)

Judicial concepts of this doctrine, however, argue against the application of this doctrine to this case. This Court has rejected the application of the *de facto* officer doctrine to trespasses of appointment power. *See Ryder*, 515 U.S. at 182-83. In a case that was also on direct review and that challenged the appointment of two judges in a three-judge panel, this Court held that the

de facto officer doctrine did not apply. *Id.* at 179. Indeed, the prior applications of the *de facto* officer doctrine were distinguishable from its extension to trespasses of appointment power, and even when the doctrine was used to validate past acts of unconstitutionally appointed officers in *Buckley v. Valeo*, 424 U.S. 1 (1976), it was not used to deprive petitioners of relief. *Id.* at 181, 183.

The Government argued that to avoid addressing the constitutional question, the case could simply be remanded back to the Board. The details of the very nature of this remand, however, hinges on a resolution of the questions presented to this Court. The constitutional violation was a transgression of Petitioner's rights that occurred the day this controversy first arose before the Board. If Congress is allowed to retroactively appoint board members, this case may in principle be remanded back to the same panel. If this Court holds, however, that the amended statute exceeds Congress's authority to vest appointment power, Petitioners are entitled to a properly constituted Board as of the date this controversy first arose before the Board.

C. The Federal Circuit Decision

On November 3, 2008, the Federal Circuit issued its opinion holding that DBC had waived its constitutional challenge "by failing to raise it before the Board." (App. 6a.) Specifically the Federal Circuit stated that "[i]f DBC had timely raised this issue before the Board, the Board could have evaluated and corrected the alleged constitutional infirmity by providing DBC with a panel of administrative patent judges appointed by

the Secretary.” (App. 10a.) The Federal Circuit reasoned that DBC had an opportunity to bring the challenge before the Board while the case was before the Board, stating “[e]ven if DBC did not learn of the judges assigned to its panel until oral argument or until a decision was issued, it still had an opportunity to challenge the composition of the panel in a post-argument submission or in a motion for reconsideration.” (*Id.*)

Further, while the Federal Circuit noted that it retains discretion to reach issues raised for the first time on appeal, the Federal Circuit declined to exercise its discretion, as it did “not view the circumstances of this case to warrant such an exceptional measure.” (App. 12a.) The Federal Circuit declined to exercise its discretion in part due to its finding that the issue could have been raised before the Board, and also in light of the “remedial action taken by Congress.” (App. 13a.) In reference to the “remedial action taken by Congress,” the Federal Circuit stated:

On August 12, 2008, the President signed into law legislation that re delegated the power of appointment to the Secretary, thereby eliminating the issue of unconstitutional appointments going forward. . . . The legislation also includes a provision attempting retroactive correction of the Director’s appointments by providing ‘a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge’s having been originally appointed by the Director that the

administrative patent judge so appointed was acting as a de facto officer.' . . . While we take no position on the constitutionality of that defense, Congress's action in fixing the problem prospectively means that our decision will not affect cases decided by future panels of the Board. This argues against our exercising discretion to address the issue.

(App. 12a-13a.)

DBC timely requested a rehearing or a rehearing en banc. The Federal Circuit declined to rehear the case. (App. 62a-63a.)

REASONS FOR GRANTING THE PETITION

DBC seeks review because: (1) the Federal Circuit improperly held that DBC had waived its structural constitutional challenge in conflict with the Court's precedent; and (2) Congress has failed to correct the constitutional violation and cannot retroactively grant the status of having been appointed under the Appointments Clause to administrative patent judges. This case properly brings before the Court the issue of the statutory Appointments Clause violation after the issue has been heard by the Federal Circuit.

I. DENYING RELIEF FOR STRUCTURAL CONSTITUTIONAL OBJECTIONS UNDER THE APPOINTMENTS CLAUSE CONFLICTS WITH THE DECISIONS OF THIS COURT

A. The Federal Circuit Failed to Correct an Undisputed Appointments Clause Violation

On the merits, the Board's decision should be vacated because two members of the Board panel were appointed in violation of the Appointments Clause. The Appointments Clause of the U.S. Constitution, art. II, § 2, cl. 2, provides (emphasis added):

[The President] by and with the Advice and Consent of the Senate, shall appoint . . . all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the *Congress may by law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.*

As amended in 1999 (effective March 29, 2000), 35 U.S.C. § 6(a) provided in pertinent part (emphasis added):³

³ As noted by the Federal Circuit, "[o]n August 12, 2008, the President signed into law legislation that redelegated the power of appointment to the Secretary." (App. 13a; Pub. L. No. 110-313 1(a)(1)(B), 122 Stat. 3014, 3014 (2008) (codified at (Cont'd)

There shall be in the United States Patent and Trademark Office ["PTO"] a Board of Patent Appeals and Interferences. The Director [of the PTO], the Commissioner for Patents, the Commissioner for Trademarks, and administrative patent judges shall be persons of competent legal knowledge and scientific ability *who are appointed by the Director* [of the PTO].

Administrative patent judges are "inferior Officers" under the Appointments Clause, and thus they must be appointed by the President, the courts of law, or a Head of Department as required by the Appointments Clause. *See* Duffy, John F., Are Administrative Patent Judges Unconstitutional?, 2007 Patently-O Patent L.J. 21 (2007) ("Like the special trial judges [at issue in *Freytag*, 501 U.S. at 880-881], administrative patent judges are officers 'established by Law,' and they have more than ministerial duties under the statute."); *See Freytag*, 501 U.S. at 881 ("Any appointee exercising significant authority pursuant to the laws of the United States is an 'Officer of the United States,' and must, therefore, be appointed in the manner prescribed by § 2, cl. 2 of Article II.") (quoting *Buckley*, 424 U.S. at 126).

The Director of the PTO is not a "Head of Department" under the Appointments Clause.

(Cont'd)

35 U.S.C. § 6(a)).) However, because the new legislation mandates that the judges shall be "appointed by the Secretary of Commerce, *in consultation with the Director [of the PTO]*" this amended statute does not remedy the constitutional violation. (emphasis added) (*See infra.*)

See Freytag, 501 U.S. at 886 (appointments allowed only by heads of “executive divisions like Cabinet-level departments”). Rather the Director is the head of “an agency of the United States, within the Department of Commerce.” 35 U.S.C. § 1(a); *see also* 15 U.S.C. § 1511(4); 35 U.S.C. § 3(a)(1) (The Director is “an Under Secretary of Commerce for Intellectual Property”).

Nor is the PTO a “court of law” under the Appointments Clause. *See Freytag*, 501 U.S. at 890-91 (in order to determine whether an entity is a Court of Law courts must examine an entity’s “functions to define its constitutional status and its role in the constitutional scheme,” and must look at whether an entity “exercises judicial, rather than executive, legislative, or administrative power.”). The PTO is an executive agency that is “subject to the policy direction of the Secretary of Commerce.” 35 U.S.C. § 1(a); *see also* 15 U.S.C. § 1511(4).

Thus, 35 U.S.C. § 6 was unconstitutional because it vested the authority to appoint administrative patent judges, who are inferior Officers, in the Director of the PTO in contravention of the Appointments Clause.

In this case, two of the administrative patent judges who rejected DBC’s patent, Judges Tierney and Moore, were appointed after March 29, 2000, when amended § 6(a) providing for the appointment of administrative patent judges by the Director of the PTO took effect. As such, Administrative Patent Judges Tierney and Moore were appointed by the Director in violation of the Appointments Clause of the United States

Constitution. Because the Board must sit with at least three duly-appointed members, DBC respectfully requests that this Court vacate the Board's decision and remand this case for further proceedings. *See Nguyen*, 539 U.S. at 82-83 (vacating decision where one member of a three judge panel was not qualified to serve).

B. The Federal Circuit's Finding of Waiver and Refusal to Exercise Discretion to Hear the Constitutional Challenge Conflicts with Supreme Court Precedent

The Government did not challenge DBC's argument that two members of the Board panel that rendered the decision on the '333 patent were appointed in violation of the Appointments Clause. However, the Federal Circuit accepted the Government's argument that DBC's Appointments Clause challenge was waived, and decided against exercising its discretion to hear DBC's constitutional argument despite waiver. The Federal Circuit's refusal to address the Appointments Clause issue contradicts Federal case law and deprives DBC of the right to adjudication of a constitutional question.

Because DBC's Appointments Clause challenge is a constitutional issue, it should be decided by an Article III Court rather than an administrative Panel. "Agencies do not ordinarily have jurisdiction to pass on the constitutionality of any federal statutes." *Nebraska v. EPA*, 331 F.3d 995, 997 (D.C. Cir. 2003) (citing *Thunder Basin Coal Co. v. Reich*, 510 U.S. 200, 214 (1994)). This constraint is particularly true where, as in this case, a party seeks a ruling that a section of the agency's own

statute is unconstitutional. See *Roberston v. Fed. Election Comm'n*, 45 F.3d 486, 489 (D.C. Cir. 1995) ("It [i]s hardly open to . . . an administrative agency . . . to entertain a claim that the statute which created it was in some respect unconstitutional.") The Board is a part of the PTO under the Department of Commerce, and therefore the Board has no authority to hold that 35 U.S.C. § 6(a), administered under the authority of the Department of Commerce, is unconstitutional. Thus, failing to raise the Appointments Clause challenge until the case was properly before the Federal Circuit does not constitute a waiver of the issue.

Further, the Appointments Clause challenge could not have been raised before the Board because the existence of standing to raise such a challenge depends upon the composition of judges on the Board, which DBC could not know until after DBC had submitted its brief. Thus it is impossible for any party to raise an Appointments Clause challenge through the agency's prescribed manner for hearing arguments.

Where a constitutional challenge is timely, it is against this Court's jurisprudence to avoid a decision on the merits of a question under the Appointments Clause. In a unanimous decision, this Court stated:

[O]ne who makes a timely challenge to the constitutional validity of the appointment of an officer who adjudicates his case is entitled to a decision on the merits of the question and whatever relief may be appropriate if a violation indeed occurred. Any other

rule would create a disincentive to raise *Appointments Clause* challenges with respect to questionable judicial appointments.

Ryder, 515 U.S. at 182-83; *see also Buckley*, 424 U.S. at 120-24 (discussing the significance of an Appointments Clause objection). Denying relief for a conceded transgression of separation of powers under the Appointments Clause would be contrary to the decisions of this Court.

Even if the Federal Circuit properly found that DBC's constitutional challenge were untimely, the Federal Circuit's refusal to exercise its discretion to consider DBC's Appointments Clause challenge on the merits is contrary to the jurisprudence of the Supreme Court. *In Glidden*, the Court stated that where a statute

embodies a strong policy concerning the proper administration of judicial business, this Court has treated the alleged defect as 'jurisdictional' and agreed to consider it on direct review even though not raised at the earliest practicable opportunity. *A fortiori* is this so when the challenge is based upon nonfrivolous constitutional grounds.

370 U.S. at 536.

This is not the first time the Government has attempted to avoid a constitutional objection under the Appointments Clause by arguing that a party waived the constitutional objection. In prior cases, even when

the existence of an Appointments Clause violation was not conceded by the Government, this Court nevertheless chose to hear objections made under the Appointments Clause. *See, e.g., Freytag*, 501 U.S. at 872-73 (granting certiorari even though the objection was first raised on appeal before the Court of Appeals); *Lamar v. United States*, 241 U.S. 103, 117-18 (1916) (hearing an objection not raised until a supplemental brief filed before the Supreme Court).

Although the decision to hear an Appointments Clause challenge raised for the first time on appeal is discretionary, the seriousness of this objection favors a hearing before this Court. In *Freytag*, for example, this Court determined whether the appointment of a special trial judge by the Chief Judge of the Tax Court violated the Appointments Clause. *Id.* at 870, 872. The Court concluded that the special trial judge was an inferior officer, that the Tax Court was a Court of Law, and that the Tax Court's appointment of the special trial did not transgress separation of powers under the Appointments Clause. *Id.* at 881, 891-92.

The Court ultimately found no Appointments Clause violation in *Freytag*, but it did explain why such structural constitutional objections—even if not raised in the first instance—warranted review before the Court:

[T]he disruption to sound appellate process entailed by entertaining objections not raised below does not always overcome what Justice Harlan called 'the strong interest of

the federal judiciary in maintaining the constitutional plan of separation of powers.'

Freytag, 501 U.S. at 879 (citing *Glidden*, 370 U.S. at 536 (noting that in *Lamar*, 241 U.S. at 117-118, the claim of usurping the presidential appointing power under Art. II, was heard "despite the fact that it had not been raised in the District Court or in the Court of Appeals or even in this [Supreme] Court until the filing of a supplemental brief upon a second request for review")). Indeed, structural constitutional objections under the Appointments Clause are "neither frivolous nor disingenuous." *Id.* at 879. They are objections that affect the validity of proceedings that comprise the very basis of litigation. *Id.* Consequently, even though in *Freytag* the Appointments Clause challenge was raised for the first time on appeal, the Supreme Court granted certiorari to resolve this important question. *Id.* at 872.

In *Freytag*, the Court also rejected the argument that it should defer to the decision by the Executive that no legislative encroachment had occurred under the Appointments Clause. *Id.* at 879-80 ("we are not persuaded by the Commissioner's request that this Court defer to the Executive Branch's decision that there has been no legislative encroachment on Presidential prerogatives under the *Appointments Clause* [.]"). The Court explained:

The structural principles embodied in the *Appointments Clause* do not speak only, or even primarily, of Executive prerogatives simply because they are located in Article II. The *Appointments Clause* prevents Congress

from dispensing power too freely; it limits the universe of eligible recipients of power to appoint. Because it articulates a limiting principle, the *Appointments Clause* does not always serve the Executive's interests. For example, the Clause forbids Congress to grant the appointment power to inappropriate members of the Executive Branch. *Neither Congress nor the Executive can agree to waive this structural protection.*

Id. at 880 (final emphasis added). Thus, even if the encroachment of powers is condoned by those whose powers are being encroached, the Supreme Court has rejected attempts to dismiss consideration of this important issue. *Id.*

In *Nguyen v. United States*, this Court also heard an Appointments Clause challenge, this time to a Court of Appeals panel comprised of two Article III judges and one Article IV judge. 539 U.S. at 71. The Court found it unnecessary to discuss the constitutional objection raised under the Appointments Clause because it had found a statutory violation governing the assignment of appointed judges. *Id.* at 71, 76 & n.9. The Government argued that petitioner had waived its challenges—both statutory and constitutional—by not challenging at the earliest practicable moment. *Id.* at 77. Indeed, the petitioners did not raise this challenge until they submitted their petitions for writ of certiorari. *Id.* at 73. Nevertheless, the Court found that this statutorily impermissible court panel was important enough to overcome the Government's waiver argument. *Id.* at 79.

Although the timeliness of an objection may weigh in favor of hearing an objection, this Court has never made it a requirement. In *Freytag*, the Court was not even certain that a constitutional violation had occurred, yet it chose to resolve the Appointments Clause challenge raised for the first time on appeal. 501 U.S. at 878-79. The decision to hear an Appointments Clause challenge should be even clearer when, as is the case here, the violation is uncontested. The Supreme Court acknowledges the importance of hearing constitutional challenges on the merits, and so exercises discretion to hear Appointments Clause challenges in light of such importance. *See id.* at 879 (an Appointments Clause challenge should be heard on its merits where the “alleged defect in the appointment . . . goes to the validity of the . . . proceeding that is the basis for this litigation”); *Nguyen*, 539 U.S. at 78 (exercising discretion to hear an Appointments Clause challenge where the challenge was not raised until the party filed a writ of certiorari after the Court of Appeals decision); *Glidden*, 370 U.S. at 536.

The Federal Circuit’s refusal to exercise its discretion contravenes the Supreme Court’s precedent because the Appointments Clause challenge in this case is “neither frivolous nor disingenuous” and “goes to the validity of the . . . proceeding that is the basis for this litigation.”

II. CONGRESS'S LEGISLATION ATTEMPTING TO PROSPECTIVELY AND RETROACTIVELY CORRECT THE APPOINTMENTS CLAUSE VIOLATION REQUIRES SUPREME COURT REVIEW

DBC's request for relief is not rendered moot by the remedial action taken by Congress in passing legislation which (1) attempts to correct the constitutional violation as to the future (but still unconstitutionally retains the Director in the bestowal of power), (2) attempts *nunc pro tunc* correction by "dumping" the past problem it created on the Secretary of Commerce, and (3) provides a *de facto* defense to appointments challenges. Pub. L. No. 110-313 1(a)(1)(B), 122 Stat. 3014, 3014 (2008) (codified at 35 U.S.C. § 6(a)-(d)). Congress's remedial legislation still violates the Appointments Clause of the Constitution because it vests power to appoint administrative patent judges in the Secretary of Commerce "*in consultation with the Director [of the PTO].*" Further, Congress's attempt to retroactively correct the previous constitutional violation creates an unprecedented federal question.

A. Congress's Attempt to Remedy the Constitutional Violation does not Fix the Appointments Clause Issue

As noted by the Federal Circuit, "[o]n August 12, 2008, the President signed into law legislation that redelegated the power of appointment to the Secretary." (App. 13a.) However, because the new legislation mandates that the judges shall be "appointed by the Secretary of Commerce, *in consultation with the*

Director [of the PTO]" this amended statute does not remedy the constitutional violation at issue in this case. (App. 65a (emphasis added).)

As Petitioner has stated, the Appointments Clause of the Constitution allows Congress to vest the Appointment of inferior Officers "in the President alone, in the Courts of Law, or in the Heads of Departments." U.S. Constitution, art. II. § 2, cl. 2. Congress's statute vests the Appointment of administrative patent judges in the Secretary of Commerce "in consultation with the Director." While the Secretary of Commerce is a "Head of Department," the Director of the PTO is not (*see supra*), and thus the statute's vesting of Appointment power in the Director as a consultant to the Secretary of Commerce violates the Constitution.

The Federal Circuit's statement that "the President signed into law legislation that redelegated the power of appointment to the Secretary, thereby eliminating the issue of unconstitutional appointments going forward" overlooks the continued questionable constitutionality of Congress's remedial legislation. Future challenges to the constitutionality of 35 U.S.C. § 6(a) may be brought before the judiciary.

B. The Proceedings Below Leave Unsettled an Important Federal Question as to the Authority of Congress to Vest Retroactive Appointment Power

Administrative patent judges must be appointed in accordance with the Constitution and cannot be retroactively granted the status of having been

appointed under the Appointments Clause of the United States Constitution.

This Court is no stranger to congressional acts of retroactive legislation, but a congressional act to vest retroactive appointment power is unprecedented. In the below proceedings, the Government cited several cases to argue the contrary, but in none of those cases did this Court condone an attempt by Congress to erase a constitutional violation after it had already occurred. *See, e.g., Quackenbush v. United States*, 177 U.S. 20 (1990) (concerning an action seeking back-pay); *Swayne & Hoyt, Ltd. v. United States*, 300 U.S. 297 (1937) (finding no constitutional violation in the first instance); *United States v. Heinszen & Co.*, 206 U.S. 370 (1907) (concerning Congress's power to levy taxes). Similarly, in none of those cases did the Government concede that a constitutional violation had occurred.

Congress may be authorized to pass retroactive legislation—thereby imposing statutorily created burdens or benefits on a party—but such legislation is still subject to the constraints and concerns of the Constitution. This constitutional question is one solely left in the province of the judiciary to decide. As stated by the Supreme Court:

It is no indication whatever of the invalidity of the constitutional rule which we announce, that it produces unhappy consequences when a legislature lacks foresight, and acts belatedly to remedy a deficiency in the law. That is a routine result of constitutional rules.

Plaut v. Spendthrift Farm, Inc., 514 U.S. 211, 237 (1995). In *Plaut*, this Court held that the Constitution's separation of powers denied Congress the authority to invalidate prior court judgments. *Id.* at 240. Allowing Congress to not only have the final say on the application of legislation to a case or controversy, but also to have the final say on a constitutional violation, contradicts the principle of separation of powers recognized in *Plaut*.

By passing the amendments to 35 U.S.C. § 6, Congress essentially vested in the Secretary of Commerce the ability to validate a prior appointment by the Director as of the prior date of appointment. This does not remedy, however, the trespass of appointment that already occurred. The Appointments Clause "forbids Congress to grant the appointment power to inappropriate members of the Executive Branch." *Freytag*, 501 U.S. at 880. Such a grant was made and executed by Congress for the past nine years, dating back to when Congress first vested appointment power in the Director to appoint administrative patent judges. Although the Board made thousands of decision over the past nine years, this petition is narrowly confined to those cases that are on direct review before the Board or the Federal Circuit. Even one violation of the Constitution is still a transgression of separation of powers, and "[n]either Congress nor the Executive can agree to waive this structural protection." *Id.* This Court has clarified that:

the doctrine of separation of powers is a *structural safeguard* rather than a remedy to be applied only when specific harm, or risk

of specific harm, can be identified. In its major features (of which the conclusiveness of judicial judgments is assuredly one) it is a prophylactic device, establishing high walls and clear distinctions because low walls and vague distinctions will not be judicially defensible in the heat of interbranch conflict.

Plaut, 514 U.S. at 239.

In fact, the amended statute appears to be the first attempt by Congress to ever vest retroactive appointment power to “correct” an Appointments Clause violation. Consequently, the vesting of retroactive appointment power can only be challenged by cases that were heard by an unconstitutionally appointed Board before August 12, 2008, and are currently capable of raising this challenge on direct review. No conflicting circuit court decisions could ever result because patent owners can only appeal to the Federal Circuit from decisions of the Board in reexamination proceedings. See 35 U.S.C. § 141. The number of cases that can raise this challenge against retroactive appointment power, moreover, may be capped to a small, finite number in light of Congress’s legislation. This Court is uniquely positioned to be the final arbiter of determining the effect of such congressional enactments on cases or controversies.

The unprecedented nature of Congress’s vesting of retroactive appointment power is also highlighted by the differences between this act and retroactive legislation that has been subject to the scrutiny of this Court. For example, this Court has often ruled on the

constitutionality of retroactively applying a statutorily-created right or burden. *See, e.g., Levy v. Wardell*, 258 U.S. 542 (1922) (ruling on the retroactive application of a tax statute). In these cases, however, Congress was directly authorized to enact the legislation it later attempted to apply retroactively. *See, e.g., Swayne*, 300 U.S. 297 (holding that Congress had the power to transfer authority from the United States Shipping Board to the Secretary of Commerce); *Heinszen*, 206 U.S. at 390-91 (holding that Congress had the power to authorize the past levying of taxes). In the instant case, although Congress is directly authorized to vest appointment powers, it is not authorized to appoint members of the Board. That power is given to the President by consent of the Senate, the President alone, a Court of Law, or Head of Department. In the period within which these retroactive appointments would apply, even the Secretary of Commerce was not directly authorized to appoint Board members. Congress therefore exceeded its authority under the Constitution by giving the Secretary of Commerce retroactive appointment power and attempting to validate acts of unconstitutionally appointed officers.

The use of the *de facto* officer doctrine to deprive relief in cases on direct review also conflicts with the decisions of this Court. Congress has created a defense to challenges of appointments, but the statute neither defines nor explains the meaning or scope of that defense. (App. 66a; Pub. L. No. 110-313, § 1(a)(1)(C), 122 Stat. 3014, 3014 (2008) (codified at 35 U.S.C. § 6(d)) (providing “a defense to challenge to the appointment of an administrative patent judge on the basis of the judge’s having been originally appointed by the Director

that the administrative patent judge so appointed was acting as a *de facto* officer.”) Before the Federal Circuit, the Government conceded that the doctrine should apply under judicial concepts. The Federal Circuit’s decision specifically declines to take any position on the constitutionality of that defense. (App.14a.)

This Court has rejected the application of the *de facto* officer doctrine to trespasses onto the powers of appointment. *See Ryder*, 515 U.S. at 182-83. In *Ryder*, the Court held that the “*de facto officer*” doctrine should not apply to cases on direct review as this would “create a disincentive to raise *Appointments Clause* challenges with respect to questionable judicial appointments.” *Id.* at 182-183 (1995); *see also Nguyen*, 539 U.S. at 83.

A review of the application of the *de facto* officer doctrine also shows that the doctrine was often applied to the misapplication of statutes rather than to trespasses on appointment power. *Ryder*, 515 U.S. at 181. For example, in prior cases the Court had made valid *de facto* the acts of federal district court judges that had been incorrectly assigned to another district. *Id.* The constitutionality of the appointment of these judges was never at issue. Rather, the issues raised were of statutory construction.

The *de facto* officer doctrine has also not been used by this Court to deny relief to petitioners who have raised this challenge on direct review. *Id.* at 183; *see also Federal Election Commission v. NRA Political Victory Fund*, 6 F.3d 821, 828 (D.C. Cir. 1993) (stating that it was “aware of no theory that would permit [it] to declare the Commission’s structure unconstitutional

without providing relief to the appellants in this case"). "[T]he court should avoid an interpretation of the *de facto* officer doctrine that would likely make it impossible for these plaintiffs to bring their assumedly substantial constitutional claim and would render legal norms concerning appointment and eligibility to hold office unenforceable." *Andrade v. Lauer*, 729 F.2d 1475, 1498 (D.C. Cir. 1984).

Indeed, the Government's reliance on the *de facto* officer doctrine would preclude any relief from an Appointments Clause challenge. The D.C. Circuit observed that this doctrine may actually create a double bind when one considers the law of standing:

While the law of standing requires that plaintiffs sustain actual injury before they can bring an action, the *de facto* officer doctrine would deny them a remedy — or even a forum — if they seek to gain redress of injuries already suffered. For instance, if appellants here brought suit before the government took action against them, they would likely be held to lack standing; their position would be similar to that of the 21 nonfired appellants in this case. If appellants brought suit after action is taken against them, they would run afoul of the *de facto* officer doctrine and would be told that they may not challenge the validity of appellees' appointments.

Andrade, 729 F.2d at 1497.

Thus, while the *de facto* officer doctrine may validate otherwise invalid acts by officers, it “gives no weight to the public interest in enforcing legal norms concerning eligibility and appointment to office and individuals’ interest in having the government act against them only through lawfully appointed agents.” *Id.*

In the presence of an Appointments Clause violation, this Court has routinely granted relief. In *Ryder*, for example, this Court heard a case that challenged the acts of two judges who had been appointed to the United States Coast Guard Court of Military Review. 515 U.S. at 179. The petitioner challenged the composition of the court panel on a rehearing before the Coast Guard Court of Military Review, but that court rejected his challenge. *Id.* On review, the United States Court of Military Appeals acknowledged the existence of a constitutional violation under the Appointments Clause but denied the appellant relief by holding that the acts of the unconstitutionally appointed judges were valid *de facto*. *Id.* at 179. The Supreme Court reversed, holding that such acts were not valid *de facto* and that the petitioner was entitled to a hearing before a properly appointed court panel. *Id.* at 179, 188. The Court undertook a thorough review of the *de facto* officer doctrine in dispute. *Id.* at 180-84 (defining the doctrine as “confer[ring] validity upon acts performed by a person acting under the color of official title even though it is later discovered that the legality of that person’s appointment or election to office is deficient”).

The Court held that unlike previous cases that applied this doctrine, the Appointments Clause challenge in *Ryder* was distinguishable. *Id.* at 182.

The petitioner had raised an issue that alleged a “trespass upon executive power of appointment” rather than a “misapplication of a statute providing for the assignment of already appointed judges to serve in other districts.” *Id.* The petitioner had also been denied relief under the *de facto* doctrine, a result that distinguished *Ryder* from other cases such as *Buckley v. Valeo*. *Id.* at 183. Although in *Buckley* the Court accorded *de facto* validity to past acts of the unconstitutionally appointed officers, the *de facto* officer doctrine was not used to deprive the petitioners of relief. In fact, petitioners in *Buckley* only sought prospective relief, and the Court awarded them both declaratory and injunctive relief. See 424 U.S. at 142; see also *Ryder*, 515 U.S. at 183 (explaining why *Buckley* did not support denying petitioner relief under the *de facto* officer doctrine); *NRA Political Victory Fund*, 6 F.3d at 828 (same).

III. THIS CASE PROVIDES A PROPER VEHICLE FOR RESOLVING THIS CONSTITUTIONAL ISSUE

This case is well-suited to resolve the serious, constitutional issues presented. The Appointments Clause objection was first raised in a scholarly article written by John Duffy. It garnered enough attention to prompt quick and constitutionally questionable legislation by Congress, and this case provides a good vehicle to assess whether Congress exceeded its vesting authority under the Constitution.

This case presents an especially good factual and procedural scenario for addressing the Appointments Clause issue. The merits of the underlying PTO

proceedings and appeal in this case hinge on the validity of the proceedings before the Board, as did the merits of *Translogic Technology, Inc. v. Dudas*, in which a petition for writ of certiorari has been denied. (07-1303.) Unlike *Translogic*, however, the parties in this case have briefed and argued these constitutional issues before the Federal Circuit, and the Federal Circuit issued an opinion ruling that the constitutional issue was waived by failing to raise it before the Board. See *Translogic*, (07-1303) Petition for Certiorari at 5 ("Petitioner did not raise the Appointments Clause issue in its merits brief to the Federal Circuit"). Consequently, this case is procedurally superior to *Translogic*, and provides the Court with the proper opportunity to address the merits of the issue.

Further, the parties to this case were able to argue the constitutionality of Congress's amendments to 35 U.S.C. § 6 before the Federal Circuit. This is the first case that has challenged Congress's authority to vest retroactive appointment power before the Federal Circuit, and given the different issues raised as to the retroactive application of this legislation, this case may be one of only a handful of cases left that can appeal this issue.

In the decision below, the Federal Circuit denied Petitioner's relief, holding that DBC waived challenging the appointments by failing to raise the objection before the Board and refusing to exercise its discretion to hear the Appointments Clause challenge. Yet in past cases where a violation of the Appointments Clause was effectively conceded, this Court held that the petitioner was entitled to a hearing before a properly appointed

panel. *See, e.g., Ryder*, 515 U.S. at 187-88 (“It simply cannot be said . . . that review by the properly constituted Court of Military Appeals gave petitioner all the possibility for relief that review by a properly constituted Coast Guard Court of Military Review would have given him.”). In addition, that “DBC has not made any allegation of incompetence or other impropriety regarding the administrative patent judges who heard its appeal, nor has it alleged that these judges are somehow unqualified to serve in the position,” should not bar the seeking of relief from acts of a constitutionally unauthorized government official. (App. 14a.) Litigants are not required to show that they would have received more favorable treatment from a constitutionally appointed panel as opposed to an unconstitutionally appointed panel. *See Glidden*, 370 U.S. at 534 (“Article III, § 1, however, is explicit and gives the petitioners a basis for complaint without requiring them to point to particular instances of mistreatment in the record.”). Instead, “litigants need only demonstrate that they have been directly subject to the authority of the agency.” *NRA Political Victory Fund*, 6 F.3d at 824. (internal quotations omitted).

Petitioner in this case was directly subject to the authority of the Board, comprised of two judges who were unconstitutionally appointed. The Government does not dispute the existence of this constitutional transgression, and Petitioners are therefore entitled to a hearing before a proper panel of the Board. Further, and contrary to the Federal Circuit’s position, the Board could not “simply (and legitimately) assign the case to the same panel” were the case remanded because, as discussed above, the remedial legislation implemented

by Congress has not cured the constitutional violation of the appointments of two of the judges on the earlier panel.

Simply permitting the Federal Circuit to directly review the merits of the underlying patent issues would not suffice to provide a proper remedy. Under the Administrative Procedure Act, the Federal Circuit must accord some weight to the evidentiary findings of the Board. *See Dickinson v. Zurko*, 527 U.S. 150, 152 (1999) (holding that the Federal Circuit must review factual findings of the PTO under § 706 of the Administrative Procedure Act). As long as the prior decision by the Board remains standing, Petitioner remains deprived of relief from the Appointments Clause violation. Foreclosing any consideration of this objection would merely create disincentives to raise future Appointments Clause challenges. *Cf. Ryder*, 515 U.S. at 183.

Petitioner seeks a remand to a properly constituted panel of the Board as of the date this controversy first arose before the Board. To the extent that this is characterized as “retrospective” relief, granting relief to Petitioner would not cause any “grave disruption” or “inequity” to the patent appeals system. *Compare Ryder*, 515 U.S. at 184 (“[T]here is not the sort of grave disruption or inequity involved in awarding retrospective relief to this petitioner The parties agree that the defective appointments of civilian judges affect only 7 to 10 cases pending on direct review.”).

Future challenges may be made to the prospective application of such a statute, but this petition directly

addresses the acts of unconstitutionally appointed judges that occurred prior to the passing of the amendments to 35 U.S.C. § 6. As such, the question presented—whether Congress exceeded its authority in vesting retroactive appointment power—directly affects the merits of this case.

CONCLUSION

For all of the foregoing reasons, the petition for writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX

**APPENDIX A — OPINION OF THE UNITED
STATES COURT OF APPEALS FOR THE FEDERAL
CIRCUIT DECIDED NOVEMBER 3, 2008**

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

2008-1120
(Reexamination No. 90/007, 178)

IN RE DBC

Appeal from the United States Patent and Trademark
Office, Board of Patent Appeals and Interferences.

DECIDED: November 3, 2008

Before LINN and DYK, Circuit Judges, and STEARNS,
District Judge.*

LINN, Circuit Judge.

DBC, LLC (“DBC”) appeals from a final decision of the United States Patent and Trademark Office Board of Patent Appeals and Interferences (“the Board”), which affirmed the examiner’s rejection of all pending claims as obvious under 35 U.S.C. § 103. *Ex parte DBC*, No.2007-1907, 2007 WL 2433106 (B.P.A.I. Aug. 24, 2007) (“*Decision*”). Because substantial evidence supports the Board’s determination that the claims would have been

* Honorable Richard G. Stearns, District Judge, United States District Court for the District of Massachusetts, sitting by designation.

Appendix A

obvious, and because DBC has waived challenging the appointment of the administrative patent judges who presided over its appeal, we *affirm*.

I. BACKGROUND

This case involves juice made from the fruit of the mangosteen tree (known scientifically as the *Garcinia mangostana* L. tree), an exotic plant thought to originate from Southeast Asia. The mangosteen fruit, which is botanically unrelated to the mango, is reputed to be one of the best tasting of all tropical fruits. U.S. Patent No. 6,730,333 (“the ‘333 patent”), col. 1, ll. 22-23. The ‘333 patent states that the pericarp or rind of the mangosteen fruit—although very bitter—is known in folk medicine to treat conditions such as intestinal and skin ailments. *Id.*, col. 1, ll. 33-34, 48-53. As a result of its use in folk medicine, the medicinal properties of the mangosteen tree have been studied in numerous pharmacological and clinical studies. *Id.*, col. 1, l. 58-col. 2, l. 18. According to the patent, these studies have isolated in the mangosteen tree and its fruit chemical constituents known as xanthones, biologically active compounds that are receiving increased attention as potentially able to provide a variety of health benefits. *Id.*

DBC is the owner of the ‘333 patent, which issued on May 4, 2004. The patent is directed to a “nutraceutical composition[] comprising a mixture of the pulp and pericarp of the mangosteen fruit.” *Id.*, col. 1, ll. 11-13. A nutraceutical is defined in the patent as “any

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compound[] or chemical[] that can provide dietary or health benefits when consumed by humans or animals.” *Id.*, col. 3, ll. 59-61. Claim 1 is representative of the invention:

1. A nutraceutical beverage comprising:
pericarp from fruit of a *Garcinia mangostana* L. tree; a first juice from fruit of a *Garcinia mangostana* L. tree; and at least one second juice selected from the group consisting of fruit juice and vegetable juice.

On October 14, 2004, the United States Patent and Trademark Office (“PTO”) granted a third party’s request for *ex parte* reexamination of the ‘333 patent. During reexamination, the examiner rejected all claims of the 2 333 patent as obvious over a combination of seven prior art references: (1) Japanese Patent 11043442 (“JP ‘442”); (2) Japanese Patent 08208501 (“JP ‘501”); (3) James A. Duke & Judith L. duCellier, *CRC Handbook of Alternative Cash Crops* (1993) (“Duke”); (4) J.F. Caius, *The Medicinal and Poisonous Plants of India* (1986); (5) Keigo Nakatani et al., *Inhibition of Cyclooxygenase and Prostaglandin E₂ Synthesis by α -mangostin, a Xanthone Derivative in Mangosteen, in c6 Rat Glioma Cells*, 63 *Biochemical Pharmacology* 73 (2002); (6) K.R. Kirtikar & B.D. Basu, *Indian Medicinal Plants* (1999); and (7) Othman Yaacob & H.D. Tindall, *Mangosteen Cultivation* (1995) (“Yaacob”). Of these seven references, JP ‘442 was the only reference not before the original examiner who found the claims of the ‘333 patent application patentable.

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In response to the examiner's rejection of the claims during reexamination, DBC submitted three declarations pursuant to 37 C.F.R. § 1.132 to provide objective evidence of nonobviousness. These declarations attempted to demonstrate the success of the commercial embodiment of the patented invention, known commercially as XanGo™ juice. The examiner was not persuaded by DBC's evidence, however, and following a telephonic interview, made the rejection final.

DBC appealed the examiner's final rejection to the Board. The Board agreed with the examiner that the seven prior art references in the record rendered obvious all pending claims. The Board also concluded that DBC's proffered evidence of commercial success was not sufficient to overcome the prima facie showing of obviousness. As a result, the Board affirmed the examiner's rejection of the pending claims as obvious under 35 U.S.C. § 103.

DBC timely appealed. We have jurisdiction under 28 U.S.C. § 1295(a)(4)(A).

II. DISCUSSION

A. Standard of Review

A claimed invention is unpatentable if the differences between it and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the pertinent art. 35 U.S.C. § 103(a);

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see also generally *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 127 S.Ct. 1727, 167 L.Ed.2d 705 (2007). The ultimate determination of whether an invention would have been obvious is a legal conclusion based on underlying findings of fact. *In re Dembiczak*, 175 F.3d 994, 998 (Fed.Cir.1999), *abrogated on other grounds by In re Gartside*, 203 F.3d 1305, 1316 (Fed.Cir.2000). We review the Board's ultimate determination of obviousness de novo. *Id.* We review the Board's underlying factual findings for substantial evidence. *Gartside*, 203 F.3d at 1316.

B. Analysis

DBC challenges the Board's decision on three primary grounds.¹ First, DBC contends that the Board erred in finding a prima facie case of obviousness based on a substantial new question of patentability. Next, it contends that even if the Board properly found a prima facie case of obviousness, it erred by concluding that the submitted evidence of commercial success was insufficient to rebut the prima facie case. Finally, DBC argues that even if the Board correctly affirmed the examiner's rejection of the claims as obvious, its decision

1. DBC also makes a number of arguments related to its contention that various aspects of the Board's decision qualify as new grounds of rejection. We have considered those arguments but find them unpersuasive. We also observe that DBC failed to request rehearing or reopening of prosecution pursuant to 37 C.F.R. § 41.77, which it could have done had it believed that the Board made a new ground of rejection in affirming the examiner.

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must nevertheless be vacated because two members of the panel that heard the appeal were unconstitutionally appointed. We address each contention in turn, beginning with DBC's challenge under the Appointments Clause.

1. Appointments Clause

DBC argues that regardless of the merits of the underlying rejection, the decision of the Board must be vacated because two of the administrative patent judges on the panel were appointed unconstitutionally.² The government counters that DBC waived this issue by failing to raise it either before the Board or in its opening brief in this appeal.³ We agree with the government that DBC waived the issue by failing to raise it before the Board.

In an article published in 2007, Professor John F. Duffy of the George Washington University Law School contended that legislation enacted in 2000 and delegating the power to appoint administrative patent

2. DBC first raised this argument in a supplemental brief filed after briefing in this case was completed.

3. The government contends, alternatively, that Congress has already remedied the problem by enacting legislation providing a defense to a challenge to the appointment of an administrative patent judge that the administrative patent judge was acting as a "de facto officer." Because we conclude that DBC has waived the argument, we need not and do not address this contention.

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judges to the Director of the PTO ("the Director") instead of the Secretary of Commerce ("Secretary") was constitutionally infirm under the Appointments Clause, U.S. Const. art. II, § 2, cl. 2. See John F. Duffy, *Are Administrative Patent Judges Constitutional?*, 2007 Patently-O Patent L.J. 21, 21 (2007). Professor Duffy argued that the Director may not constitutionally be delegated the power to appoint administrative patent judges, who are "inferior Officers" in the words of the Appointments Clause, because the Appointments Clause vests that authority only to "the President alone, in the Courts of Law, or in the Heads of Departments." *Id.* at 21-25. DBC relies upon Professor Duffy's theory here in arguing that because the administrative patent judges were unconstitutionally appointed, the Board's decision must be vacated. As noted above, DBC did not raise its objection to the manner of appointment to the Board itself. The threshold question thus presented is whether its failure to do so resulted in a waiver of the challenge.

It is well-established that a party generally may not challenge an agency decision on a basis that was not presented to the agency. See *Woodford v. Ngo*, 548 U.S. 81, 90, 126 S.Ct. 2378, 165 L.Ed.2d 368 (2006) ("As a general rule . . . courts should not topple over administrative decisions unless the administrative body not only has erred, but has erred against objection made at the time appropriate under its practice.") (quoting *United States v. L.A. Tucker Truck Lines*, 344 U.S. 33, 37, 73 S.Ct. 67, 97 L.Ed. 54 (1952) (emphasis omitted)). In *L.A. Tucker*, for example, the Interstate Commerce

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Commission approved an application to extend a motor carrier route. An examiner of the agency recommended that the application be granted, and a division of the Commission approved the recommendation. L.A. Tucker, which had opposed the application, requested, but was denied, reconsideration by the full Commission. L.A. Tucker then petitioned for further relief, which was also denied. It then filed suit in district court challenging the agency's grant of the application. Before the district court, L.A. Tucker raised for the first time the argument that the Commission's action was invalid because the examiner had not been properly appointed pursuant to the Administrative Procedure Act. The district court permitted L.A. Tucker to make the argument, and invalidated the agency's action on that basis.

The Supreme Court appeal raised the single question "whether such an objection, first made at that stage of the proceedings, was not erroneously entertained." *L.A. Tucker*, 344 U.S. at 35, 73 S.Ct. 67. Reversing the district court, the Supreme Court found L.A. Tucker's objection untimely, characterizing its challenge to the examiner's appointment as "clearly an afterthought, brought forward at the last possible moment to undo the administrative proceedings without consideration of the merits and [which] can prevail only from technical compulsion irrespective of considerations of practical justice." *Id.* at 36, 73 S.Ct. 67. Finding the objection untimely, the Court reasoned that "orderly procedure and good administration require that objections to the proceedings of an administrative

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agency be made while it has opportunity for correction in order to raise issues reviewable by the courts.” *Id.* at 37, 73 S.Ct. 67.

As the Supreme Court later explained in *Woodford*, the requirement that a party object to an agency prior to attacking that agency’s action in court serves two primary purposes. *See Woodford*, 548 U.S. at 89, 126 S.Ct. 2378 (discussing administrative exhaustion vis-à-vis the Prison Litigation Reform Act of 1995). First, it “gives [the] agency an opportunity to correct its own mistakes . . . before it is haled into federal court, and [thus] discourages disregard of [the agency’s] procedures.” *Id.* at 89, 126 S.Ct. 2378 (last modification in original, internal quotation marks and citation omitted). If DBC had raised this issue in its appeal before the Board, the Board would have had an opportunity to consider and cure the alleged constitutional infirmity. Under 35 U.S.C. § 6(b), the Director has authority to designate the members of Board panels. The Director has delegated that authority to the Chief Administrative Patent Judge. *See Manual of Patent Examining Procedure* § 1002.02(f) (8th ed., rev.6, Sept. 2007), available at http://www.uspto.gov/web/offices/pac/mpep/mpep_e8r5_1000.pdf. According to the Board’s standard operating procedures, the Chief Administrative Patent Judge “will approve a revised designation” of the judges on any particular panel “[w]hen satisfied that there is good reason to change the panel already designated.” Board of Patent Appeals and Interferences, *Standard Operating Procedure 1 (Revision 12): Assignment of Judges to Merits Panels*,

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Motions Panels, and Expanded Panels at 6 (Aug. 10, 2005), available at <http://www.uspto.gov/go/dcom/bpai/sop1.pdf>. As evidenced by DBC's supplemental brief and its attachments, DBC was able to determine, based on the appointment dates of the administrative patent judges in question, that they were appointed by the Director and thus subject to an Appointments Clause challenge. Thus, nothing prevented DBC from taking steps while this case was before the Board to ascertain the appointment status of the administrative patent judges assigned to its case. Even if DBC did not learn of the judges assigned to its panel until oral argument or until a decision was issued, it still had an opportunity to challenge the composition of the panel in a post-argument submission or in a motion for reconsideration. If DBC had timely raised this issue before the Board, the Board could have evaluated and corrected the alleged constitutional infirmity by providing DBC with a panel of administrative patent judges appointed by the Secretary. Of course, the Board may not have corrected the problem, or even acknowledged that the problem existed. But in that case, DBC would have preserved its right to appeal the issue.

The second purpose for requiring that a party make an objection to the agency is that it promotes judicial efficiency, as "[c]laims generally can be resolved much more quickly and economically in proceedings before [the] agency than in litigation in federal court." *Woodford*, 548 U.S. at 89, 126 S.Ct. 2378. The relief DBC seeks with respect to this claim is for a properly

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appointed panel of administrative patent judges to review the examiner's rejection of its claims. If DBC had objected to the Board, instead of to this court in the first instance, it could have obtained relief immediately, and thus avoided the unnecessary expenditure of the administrative resources of the original Board panel, the judicial resources of this court, and the substantial delay and costs incurred in prosecuting this appeal.

While the foregoing supports the conclusion that DBC has waived challenging the appointments, there is one final inquiry that nonetheless remains. Because we retain discretion to reach issues raised for the first time on appeal, we must consider whether this is one of those exceptional cases that warrants consideration of the Appointments Clause issue despite its tardy presentation. *See Golden Bridge Tech., Inc. v. Nokia, Inc.*, 527 F.3d 1318, 1322-23 (Fed.Cir.2008) ("While appellate courts are given the discretion to decide when to deviate from th[e] general rule of waiver, we have explained that 'prudential considerations' articulated by the Supreme Court counsel against hearing new arguments for the first time on appeal absent limited circumstances.") (internal citations omitted); *see also Golden Blount, Inc. v. Robert H. Peterson Co.*, 365 F.3d 1054, 1062 (Fed.Cir.2004).

The Supreme Court itself has, in "rare cases," exercised its discretion to review a constitutional challenge not timely raised before the lower tribunal. *See, e.g., Freytag v. Comm'r*, 501 U.S. 868, 879, 111 S.Ct.

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2631, 115 L.Ed.2d 764 (1991); *see also* *Nguyen v. United States*, 539 U.S. 69, 78, 123 S.Ct. 2130, 156 L.Ed.2d 64 (2003); *Glidden Co. v. Zdanok*, 370 U.S. 530, 536, 82 S.Ct. 1459, 8 L.Ed.2d 671 (1962). Like this case, *Freytag*, *Nguyen*, and *Glidden* involved constitutional challenges under the Appointments Clause. The Supreme Court has never indicated that such challenges must be heard regardless of waiver. *See Freytag*, 501 U.S. at 893, 111 S.Ct. 2631 (Scalia, J., concurring in part and concurring in the judgment) (observing that the court did not create a general rule excusing waiver). Rather, the Court has proceeded on a case-by-case basis, determining whether the circumstances of the particular case warrant excusing the failure to timely object. *See id.*, 501 U.S. at 879, 111 S.Ct. 2631 (“We conclude that this is one of those rare cases in which we should exercise our discretion to hear petitioners’ challenge to the constitutional authority of the Special Trial Judge.”). DBC has recognized that our excusal of its waiver is discretionary, *see* Oral Arg. at 2:20-2:22, *available at* <http://oralarguments.cafc.uscourts.gov/mp/3/2008-1120.mp> 3, but nevertheless urges us to consider the merits of its Appointments Clause challenge.

We decline DBC’s invitation to consider a challenge it failed to timely raise, as we do not view the circumstances of this case to warrant such an exceptional measure. Primarily, we reemphasize that while this issue could have been raised before the Board, it was not. Although DBC may not have appreciated the

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argument until discovering Professor Duffy's article,⁴ that article was not an intervening change in law or facts, nor was it based on any legal or factual propositions that were not knowable to DBC when it was proceeding before the Board. We are not persuaded to overlook DBC's lack of diligence to present an issue of which it was, or should have been, aware. To permit litigants like DBC to raise such issues for the first time on appeal would encourage what Justice Scalia has referred to as sandbagging, i.e., "suggesting or permitting, for strategic reasons, that the trial court pursue a certain course, and later—if the outcome is unfavorable—claiming that the course followed was reversible error." *Freytag*, 501 U.S. at 895, 111 S.Ct. 2631 (Scalia, J., concurring in part and concurring in the judgment).

We also consider the remedial action taken by Congress to weigh against considering the waived challenge. On August 12, 2008, the President signed into law legislation that redelegated the power of appointment to the Secretary, thereby eliminating the issue of unconstitutional appointments going forward. Pub.L. No. 110-313, § 1(a)(1)(B), 122 Stat. 3014, 3014 (2008) (codified at 35 U.S.C. § 6(a)). The legislation also

4. Professor Duffy's article was published on July 23, 2007, over one month before the Board issued the decision from which DBC appeals (and over six months prior to DBC filing its opening brief here). Although we do not consider the article to have any effect on DBC's obligation to raise the issue, we note that even if it somehow gave DBC a fresh opportunity to present the objection, DBC failed to diligently do so.

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includes a provision attempting retroactive correction of the Director's appointments by providing "a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge's having been originally appointed by the Director that the administrative patent judge so appointed was acting as a de facto officer." Pub.L. No. 110-313, § 1(a)(1)(C), 122 Stat. 3014, 3014 (2008) (codified at 35 U.S.C. § 6(d)). While we take no position on the constitutionality of that defense, Congress's action in fixing the problem prospectively means that our decision will not affect cases decided by future panels of the Board. This argues against our exercising discretion to address the issue.

Finally, DBC has not made any allegation of incompetence or other impropriety regarding the administrative patent judges who heard its appeal, nor has it alleged that these judges are somehow unqualified to serve in the position. Indeed, the Secretary, acting under the new statute, has reappointed the administrative patent judges involved in DBC's appeal. Thus, even if we were to exercise our discretion to consider DBC's constitutional argument, conclude that the judges were improperly appointed, and remand to the Board for reconsideration by a properly appointed panel, there is nothing to suggest that the Board would do anything other than simply (and legitimately) assign the case to the same panel. The fact that we have affirmed the merits of the Board's action in this case also speaks against our exercising discretion and needlessly protracting the reexamination of the present patent.

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We conclude that the circumstances presented here do not warrant the exercise of our discretion to hear DBC's Appointments Clause challenge.

2. Prima Facie Case of Obviousness

A patent may not issue "if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." 35 U.S.C. § 103(a); *see also generally KSR*, 550 U.S. 398, 127 S.Ct. 1727, 167 L.Ed.2d 705. As noted above, obviousness is a question of law based on underlying facts. *Dembiczak*, 175 F.3d at 998. The Board concluded that the prior art relied upon by the examiner established a prima facie case of obviousness:

Of record in the rejection is JP '442, which discusses the known medicinal qualities of pericarp. Of particular interest is Example 6, found on page 16 of the translation, which describes a drink which includes orange juice, water, and an extract of pericarp.

JP '442 describes health benefits of its composition; consequently it is a nutraceutical according to the Appellant's definition in the Specification. Example 6 of JP '443 [sic] includes pericarp from fruit of a *Garcinia mangostana* L. tree in the form of a medicinal

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extract. Example 6 also includes orange juice, which is a juice selected from the group consisting of fruit juice and vegetable juice.

Thus, the only difference between the single closest piece of prior art of record and instant claim 1 is the addition of juice from fruit of a *Garcinia mangostana* L. tree into the drink.

* * *

Duke describes that *Garcinia Mangostana* L. is "cultivated for its fruit, which has a flavor suggestive of strawberry and grape; said to be the most delicious of all tropical fruits." Yaacob describes mangosteen fruits as "one of the finest flavored fruits in the world, outranking all other tropical fruits; the mangosteen has therefore justly earned the popular title of 'Queen of Fruits.'"

We agree with the Examiner that these references provide ample motivation to combine mangosteen juice, another fruit or vegetable juice, and mangosteen pericarp in a beverage, to cover up the taste of the mangosteen rind.

Decision at 11-12 (internal citations omitted).

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On appeal, DBC primarily argues that the Board failed to establish a prima facie case of obviousness based upon a substantial new question of patentability because the JP '442 reference is cumulative and non-analogous art.⁵ DBC argues that since JP '442 was the only new prior art reference cited during reexamination, it cannot raise a substantial new question of patentability. In *In re Hiniker Co.*, we suggested that a reference that "was not material to the question of obviousness . . . or . . . was cumulative with any old art" was not sufficient to create a substantial new question of patentability. 150 F.3d 1362, 1367 (Fed.Cir.1998). Relying on this passage, DBC contends that JP '442 is not material to obviousness and is cumulative over the prior art references that were before the examiner during the original prosecution. We disagree with DBC on both points.

The abstract of JP '442 describes a composition designed to be resistant to legionella bacteria and which includes one or more extracts from a number of fruits and other biological products, one of which is mangosteen rind. The examiner observed, in his answer before the Board, that "[i]f you want to consume the rind, it was known in the prior art to mix it with a fruit

5. DBC also argues that the Board's decision constitutes a new ground of rejection because the Board cited the English translation of JP '442, while only the English translation of the abstract of that document was before the examiner. We discern no merit in this argument. As we discuss *infra*, the Board's use of the example in the translation goes no farther than, and merely elaborates upon, what is taught by the abstract.

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such as strawberry as taught by JP '442 (abstract)." J.A. at 3735; *see also id.* at 3735-36 ("The key piece of art is JP '442 which clearly teaches mangosteen rind and raspberry, strawberry and/or blackberry in the same composition."). The Board similarly concluded that the reference teaches "a legionella bacteria disinfection agent and ingestible compositions, e.g., drinks, that contain the disinfection agent." *Decision* at 5. Thus, as both the examiner and the Board recognized, the abstract teaches mixing the mangosteen rind in a composition with fruits and fruit juices to obtain a legionella resistant composition (a nutraceutical under the '333 patent's definition of the word). Because it teaches a nutraceutical beverage combining fruits and fruit juices and mangosteen rind in the same composition, JP '442 is plainly material to patentability.

DBC also contends that JP '442 is cumulative over JP '501, which "describes the reconstitution of the [mangosteen] extract into a drug and states that the drug can take any suitable form for administration including as a syrup, solution, or suspension with a carrier." *Decision* at 6. But, as is plain from JP '501, that reference does not teach that mangosteen rind (or extract) can be made into a composition with fruits or fruit juices, only that it can be made into a "syrup, solution, or suspension with a carrier." Because JP '442 is the only reference that teaches that the mangosteen rind can be combined with fruits and fruit juices to make a nutraceutical composition, it is not cumulative with respect to any of the prior art references that were before the original examiner. We thus reject DBC's

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argument that JP '442 does not raise a substantial new question of patentability.

DBC does not appear to challenge the Board's prima facie case of obviousness per se, only that it was not based upon a substantial new question of patentability. Because we have rejected that argument, and because JP '442, together with the other references cited, is substantial evidence fully supporting the Board's finding of a prima facie case of obviousness, we affirm that portion of the Board's decision.

3. Secondary Considerations

During reexamination, and in response to the examiner's rejection of the pending claims, DBC submitted three declarations pursuant to 37 C.F.R. § 1.132 in an effort to demonstrate the commercial success of XanGo™ juice. These declarations, made by Kent Wood, Craig Johanson, and Stephen Bean-officers and employees of XanGo, LLC ("XanGo"), the exclusive licensee of DBC and marketer of XanGo™ juice-described, among other things, the ingredients in XanGo™ juice and the process for making it. Those statements were offered in an attempt to show that the juice is made according to the claims of the '333 patent. The submitted declarations also demonstrated that XanGo™ juice enjoyed \$130 million in gross sales during the first two years it was on the market, and that XanGo's advertising budget represented only a small fraction of sales.

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The Board was unpersuaded by DBC's evidence, finding that it was insufficient to overcome the strong prima facie case of obviousness. *Decision* at 30. In particular, the Board found that:

The Appellants have not established with credible and persuasive evidence what product was marketed and when. The Appellants have not established that the product which was sold is commensurate in scope with the scope of the claims for which protection is sought. Finally, the Appellants have not persuaded us that the sales are a result of anything other than network marketing, the increasing popularity of mangosteen, and improved availability of the mangosteen fruit in general.

Accordingly, we find that the evidence of commercial success is insufficient to persuade us of the unobviousness of the claimed subject matter, which differs from the prior art only in the addition of a known, tasty, mangosteen juice.

Id. DBC makes several arguments to support its contention that the Board erred in finding that its evidence of commercial success did not overcome the prima facie case of obviousness.

First, DBC argues that the Board erred by concluding that the evidence failed to show that XanGo™

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juice was commensurate with the claims. On this point, we agree with DBC. The Board concluded that the Bean declaration, which proffered that XanGo™ juice was commensurate in scope with the claims of the '333 patent, was not worthy of credibility:

Mr. Bean's Declaration provides no persuasive evidence of any real personal knowledge of the contents of XanGo™ for the relevant time frame for claimed commercial success. For example, no chemical analyses, product batch sheets, manufacturing records, sales records, or the like are provided in support of any specific testimony that the commercially sold XanGo™ product contains the listed ingredients. . . . In sum, we do not find paragraph 5 [listing the ingredients] to be persuasive or credible.

Decision at 27. In his declaration, Bean avers personal knowledge of the contents of XanGo™ juice, based on discussions with employees, contractors, and officers of DBC. J.A. at 343. Under the circumstances of this case, no more is required to demonstrate that the XanGo™ juice falls within the scope of the claims, particularly when the product label itself demonstrates as much.

The Board also called Bean's credibility into question because, when stating that XanGo™ juice was commensurate with the claims, he did not state that it also included a vegetable juice. Apparently, the Board thought that the commercial embodiment of the claim

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must contain both a fruit juice and a vegetable juice since the claim recites "at least one second juice selected from the group consisting of fruit juice and vegetable juice." On this point, the Board also erred. DBC need not sell every conceivable embodiment of the claims in order to rely upon evidence of commercial success, so long as what was sold was within the scope of the claims. See *Applied Materials, Inc. v. Adv. Semiconductor Materials Am., Inc.*, 98 F.3d 1563, 1570 (Fed.Cir.1996) ("[A] patentee need not show that all possible embodiments within the claims were successfully commercialized in order to rely on the success in the marketplace of the embodiment that was commercialized.").

Next, DBC argues that the Board erred when it found no nexus between the claimed invention and the submitted evidence of commercial success. Related to this argument, DBC also claims the Board erred when it suggested that the commercial success of XanGo™ juice may be attributable to other factors, such as aggressive network marketing. The Board concluded that although \$130 million in sales in two years was a substantial figure, there was "no persuasive evidence tying those sales to the claimed subject matter." *Decision* at 29. Elaborating on this point, the Board observed that the evidence in the record suggested that the success of XanGo™ juice may be due to other factors—for example, the increasing popularity of the mangosteen fruit in general. *Id.* Based on this increasing popularity, it observed that there was "no evidence comparing the growth in sales of XanGo™ to the growth

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in sales of mangosteen juice in general.” *Id.* The Board also highlighted the marketing structure of XanGo, which is a “network marketing company” that pays substantial commissions for sales, and noted that “[h]ow much of the commercial success is due to aggressive network marketing in the form of sales commissions and bonuses is unexplained by the Appellants.” *Id.* at 30. In light of these infirmities in DBC’s submitted evidence, the Board found it insufficient to upset the *prima facie* case of obviousness.

The Board’s conclusion is supported by substantial evidence. We have held on a number of occasions that evidence of commercial success alone is not sufficient to demonstrate nonobviousness of a claimed invention. Rather, the proponent must offer proof “that the sales were a direct result of the unique characteristics of the claimed invention—as opposed to other economic and commercial factors unrelated to the quality of the patented subject matter.” *In re Huang*, 100 F.3d 135, 140 (Fed.Cir.1996); *see also In re GPAC Inc.*, 57 F.3d 1573, 1580 (Fed.Cir.1995) (“For objective evidence to be accorded substantial weight, its proponent must establish a nexus between the evidence and the merits of the claimed invention.”). Here, DBC has done little more than submit evidence of sales. However substantial those sales, that evidence does not reveal in any way that the driving force behind those sales was the claimed combination of mangosteen fruit, mangosteen rind extract, and fruit or vegetable juice. Nor is there any evidence that sales of XanGo™ juice were not merely attributable to the increasing popularity of mangosteen

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fruit or the effectiveness of the marketing efforts employed. For the foregoing reasons, we cannot conclude that the Board's decision is unsupported by substantial evidence. We thus affirm that portion of the Board's decision.

III. CONCLUSION

For the foregoing reasons, the decision of the Board is

AFFIRMED.

COSTS

No costs.

**APPENDIX B — DECISION OF THE UNITED
STATES PATENT AND TRADEMARK OFFICE
DECIDED AUGUST 24, 2007**

UNITED STATES PATENT AND TRADEMARK
OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte DBC and XanGo

Appeal 2007-1907
Reexamination Control No. 90/007,178¹
Patent 6,730,333 B1²
Technology Center 1600

Decided: August 24, 2007

Before RICHARD E. SCHAFER³, MICHAEL P.
TIERNEY, and JAMES T. MOORE, *Administrative
Patent Judges*.

MOORE, *Administrative Patent Judge*.

1. Filed August 20, 2004. The Real Party in Interest is identified as DBC, LLC (assignee) and XanGo, LLC (exclusive licensee).

2. Issued May 4, 2004.

3. Judge Romulo H. Delmendo, who participated in the Oral Argument of this appeal, is unavailable to participate in this decision.

Appendix B

DECISION ON APPEAL

A. Introduction

DBC and XanGo appeal under 35 U.S.C. §§ 134 and 306 from the final rejection for obviousness over the prior art of claims 1-81, all the claims present in his reexamination application. We have jurisdiction under 35 U.S.C. § 6.

We AFFIRM.

B. Findings of Fact

The following findings of fact and any set out in the Discussion section are supported by a preponderance of the evidence of record. Any conclusions of law should be treated as such.

1. The 90/007,178 application ("application") is the vehicle for reexamination of U.S. Patent 6,730,333 B1 (the application is cited as the "333 patent").
2. The claimed subject matter relates to a fruit based beverage.
3. The real parties in interest are DBC and XanGo. (Br. at 1)⁴

4. All references to the Appellants' Brief refer to the Appellants' Amended Appeal Brief, filed December 16, 2005.

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4. Litigation involving the '333 patent was filed, and is presently stayed, in the United States District Court for the District of Utah, Case No. 2:04cv405. (Br. at 2).
5. The Appellants have withdrawn their appeal as to claims 29-43 (Br. at 3, fn. 2). Accordingly, the rejection as to claims 29-43 is summarily AFFIRMED herein.
6. This decision addresses the rejection of claims 1-28 and 44-81.
7. Oral Argument was heard on this appeal on June 20, 2007, from 10:00 to 10:30 AM.
8. Mr. Larry Jarvis, Registration Number 27,341 appeared for the Appellants.

The Application Disclosure

9. According to the application, one of the objects of the invention is to provide "nutraceutical compositions derived from the fruit of the *Garcinia mangostana* L. plant, otherwise known as the mangosteen plant." (333 patent at 1: 7-9.)
10. The nutraceutical compositions are said to comprise a mixture of the fruit and the pericarp of the mangosteen fruit. (1:11-12).
11. The nutraceutical compositions are said to contain xanthone compounds (2:63).

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12. In preparation, the entire mangosteen fruit is ground into a pulp, then selected juice concentrates and water are added.

13. Nutraceutical is defined in the specification to include "any compounds or chemicals that can provide dietary or health benefits when consumed by humans or animals" (3:59-61).

The Application Claims

14. Claims 1, 5, and 15 are representative of the issues on appeal.

15. Claim 1 reads:

A nutraceutical beverage comprising:

pericarp from fruit of a *Garcinia mangostana* L. tree; and a first juice from fruit of a *Garcinia mangostana* L. tree; and at least one second juice selected from the group consisting of fruit juice and vegetable juice.

16. Claim 5 reads:

The nutraceutical beverage of claim 4⁵, wherein said vegetable juice is comprised of at least one of alfalfa juice, carrot juice, celery juice, green barley juice, green lettuce juice, kale juice, parsley juice, spinach juice, and tomato juice.

5. Claim 4 reads: The nutraceutical beverage of claim 1, wherein said at least one second juice comprises vegetable juice.

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17. Claim 15 reads:

The nutraceutical beverage of claim 11⁶, wherein a percentage by weight of said pericarp from fruit of a *Garcinia mangostana* L. tree and said juice from fruit of a *Garcinia mangostana* L. tree is approximately 3% to 50% of a total weight of said pericarp from fruit of a *Garcinia mangostana* L. tree, said juice from fruit of a *Garcinia mangostana* L. tree and said juice from concentrate.

The Prior Art

18. The Examiner has relied upon the following references:

Nakatani, *Biochemical Pharmacology* 63, 2002, pp. 73-79

Caius, *The Medicinal and Poisonous Plants of India*, 1986, pp. 430-1

Yaacob, *Mangosteen Cultivation*, 1995

Kirtiker, *Indian Medicinal Plants*, 1999, pp. 261-262

Duke, *CRC Handbook of Alternative Cash Crops*, 1993, pp. 257-9 and 474-98.

6. Claim 11 reads: The nutraceutical beverage of claim 1, wherein said second juice comprises juice from concentrate.

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JP 08208501 ⁷	Hirokazu	August, 1996
JP 11043442 ⁸	Saneho	February, 1999
JP 442		

19. JP 442 describes a legionella bacteria disinfection agent and ingestible compositions, e.g., drinks, that contain the disinfection agent. ('442, p. 5, ¶¶ 1, 12 and 31).

20. JP 442 describes various plants, including mangosteen pericarp, as being "used since ancient times as a food material, an herb tea or a natural additive" (6 ¶ 8).

21. JP 442 describes food products for preventing *Legionella* bacteria infection including at least 0.001% of additives including mangosteen pericarp. (7, ¶12).

22. JP 442 describes a drink, in Example 6, which includes an extract of mangosteen pericarp, orange juice, and water. (16, ¶31).

7. Citations are to the 7 page English language translation thereof.

8. Citations are to the 17 page English language translation thereof. The reexamination prosecution history contains at least three different English language translations of the '442 document. The translations differ in page length, 17 pages, 18 pages and 23 pages. For reasons of convenience, we cite solely to the 17 page English language translation.

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23. JP 501 describes the antibacterial effect of *Garcinia mangostana* L. against *helicobacter pylori*. (2: 24-28).

24. JP 501 also states that *Garcinia mangostana* L. fruit peels have been used in the past as a peptic folk medicine, an anti-infection drug and an anti-diarrea drug. (3:4-8).

25. JP 501 describes the extracting of the dried fruit peel, the dried fruit, and dried seeds of *Garcinia mangostana* L. to obtain the anti bacterial drug (3:15-27).

26. JP 501 describes the reconstitution of the extract into a drug and states that the drug can take any suitable form for administration including as a syrup, solution, or suspension with a carrier. (4: 13-15).

27. JP 501 describes, among other carriers, starch, sucrose, and lactose. (4:17-18).

Duke

28. Duke describes that *Garcinia Mangostana* L. is "[c]ultivated for its fruit, which has a flavor suggestive of strawberry and grape; said to be the most delicious of all tropical fruits." (257:2-3).

29. Duke describes that the rind of the fruit is used as folk medicine. It is said to be an astringent and used for the treatment of catarrh, cystitis, diarrhea, dysentery, eczema, fever, intestinal ailments, itch, and skin ailments. (257:10-17).

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30. Duke illustrates the mangosteen fruit as follows:



This is an illustration of Mangosteen Fruit (508(c))

Yaacob

31. Yaacob describes mangosteen fruits as "one of the finest flavoured fruits in the world, outranking all other tropical fruits; the mangosteen has therefore justly earned the popular title of 'Queen of Fruits' (5:19-22).

32. Yaacob states that the "popularity of the mangosteen is consistently increasing" (5:23).

33. Yaacob describes that research has revealed that the mangosteen pericarp contains valuable compounds used as medicines and anti bacterial agents. (11:7-10).

34. The medicinal uses described by Yaacob include central nervous system depressant, blood pressure elevator, anti-inflammatory, anti-ulcerative, anti-diarrheal, astringent, anti-dysentery and healing skin infections. (11:13-29)

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35. Yaacob describes that the mangosteen is preserved in the form of fruits immersed in sugar and water, and as flavored drinks, candy, jams, juices, jelly, syrups, and canned fruit segments (12:13-26).

36. Yaacob describes the edible pulp or aril of the mangosteen fruit as "juicy, subacid, exquisitely flavoured, and faintly aromatic" (20:25-26).

Kirtikar

37. Kirtikar describes that the bark and rind of *G. mangostana* L. have astringent properties and the gum and resins have cathartic properties (p. 260, ll. 35-37).

38. Kirtikar also describes that the rind is used as an astringent medicine for diarrhea and dysentery (p. 261, ll. 27-29).

Nakatani

39. Nakatani describes the use of mangosteen fruit hull as a medicinal treatment for skin infections, wounds, and diarrhea. (p. 1, cols. 1-2).

Caius

40. Caius describes *Garcinia Mangostana* L. and that the rind of the fruit is a "well-known astringent useful in the treatment of diarrhoea [sic] and dysentery." (p. 430, final paragraph).

*Appendix B**Miscellaneous Findings*

41. One of ordinary skill in the art at the time the invention was made knew that fruit juices and vegetable juices could be blended and that they could be blended for flavor purposes, e.g., V-8[®] and cranapple juice.

The Examiner's Rejections Under 35 USC § 103

42. Claims 1-28 and 44-81 stand rejected under 35 USC § 103 as being unpatentable as obvious over the combination of JP '442, JP '501, Duke, Caius, Nakatani, Kirtikar, and Yaacob. (Answer, p. 5, ll. 1-3).

43. The Examiner has found that the combined references taught that the pericarp from fruit of *Garcinia mangostana* L. was known for therapeutic purposes but had an unpleasant taste. (Answer, p. 5, ll. 4-6).

44. The Examiner found that one of ordinary skill in the art would have recognized that the good tasting fruit of mangosteen, in combination with another fruit or vegetable juice, would mask a bitter tasting ingredient, such as mangosteen rind (Answer, p. 6).

45. The Examiner concluded that it would have been obvious to one of ordinary skill in the art at the time the invention was made to combine the mangosteen rind, which has known medicinal qualities, with the known good tasting fruit of mangosteen and another fruit or vegetable juice to cover up the bad taste of the rind. (Answer, p. 6, ll. 6-13).

*Appendix B**The Appellants' Arguments on 35 USC § 103*

46. The Appellants urges four specific grounds of error. (Br. p. 15, ll. 19-20).

47. First, the Appellants urge that the Examiner has failed to show a suggestion or motivation to combine the references, including disregarding a negative teaching in the record. (Br. p. 15, ll. 21-24).

48. Second, the Appellants urge that the rejection is based on hindsight, alleging the Examiner used the present invention as a template. (Br. p. 15, ll. 25-26).

49. Third, the Appellants urge that the rejection fails to show a reasonable expectation of success in the prior invention. (Br. p. 16, ll. 1-2).

50. Fourth, the Appellants urge that the cited references do not teach or suggest all of the claim limitations on appeal. (Br. p. 16, ll. 3-4).

The Appellants' Argument on Secondary Considerations

51. The Appellants urge that the Examiner failed to properly consider the proffered evidence of commercial success. (Br., p. 25, ll. 9-10).

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C. Discussion

Obviousness

A claimed invention is not patentable if the subject matter of the claimed invention would have been obvious to a person having ordinary skill in the art. 35 U.S.C. § 103(a); *KSR Int'l Co. v. Teleflex Inc.*, 127 S. Ct. 1727, 82 USPQ2d 1385 (2007); *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1 (1966).

Facts relevant to a determination of obviousness include (1) the scope and content of the prior art, (2) any differences between the claimed invention and the prior art, (3) the level of skill in the art and (4) any relevant objective evidence of obviousness or non-obviousness. *KSR*, 127 S. Ct. at 1734, 82 USPQ2d at 1389, *Graham*, 383 U.S. at 17-18.

A person having ordinary skill in the art uses known elements and process steps for their intended purpose. *Anderson's-Black Rock, Inc. v. Pavement Salvage Co.*, 396 U.S. 57, 90 S. Ct. 305, 163 USPQ 673 (1969) (radiant-heat burner used for its intended purpose in combination with a spreader and a tamper and screed); *Sakraida v. AG Pro, Inc.*, 425 U.S. 273, 282, 96 S. Ct. 1532, 1537, 189 USPQ 449, 453 (1976) (the involved patent simply arranges old elements with each performing the same function it had been known to perform); *Dunbar v. Myers*, 4 Otto (94 U.S.) 187, 195 (1876) (ordinary mechanics know how to use bolts, rivets and screws and it is obvious that any one knowing how

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to use such devices would know how to arranged a deflecting plate at one side of a circular saw which had such a device properly arranged on the other side).

In analyzing the invention for obviousness, we look to the claim first. Claim 1 of the instant reexamination proceeding calls for:

A nutraceutical beverage comprising:

pericarp from fruit of a *Garcinia mangostana* L. tree; and

a first juice from fruit of a *Garcinia mangostana* L. tree; and

at least one second juice selected from the group consisting of fruit juice and vegetable juice.

We next turn to the prior art.

Of record in the rejection is JP '442, which discusses the known medicinal qualities of pericarp. Of particular interest is Example 6, found on page 16 of the translation, which describes a drink which includes orange juice, water, and an extract of pericarp.

JP '442 describes health benefits of its composition; consequently it is a nutraceutical according to the Appellant's definition in the Specification. FF 12. Example 6 of JP '443 includes pericarp from fruit of a *Garcinia mangostana* L. tree in the form of a medicinal

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extract. Example 6 also includes orange juice, which is a juice selected from the group consisting of fruit juice and vegetable juice.

Thus, the only difference between the single closest piece of prior art of record and instant claim 1 is the addition of juice from fruit of a *Garcinia mangostana* L. tree into the drink.

JP '442 also notes that "from the standpoint of ingesta palatability, the addition of 5% or less [of extract] is particularly preferable." (p. 7, last two lines). One of ordinary skill in the art would also therefore recognize that JP '442 teaches that the mangosteen rind had a taste problem which was overcome by the addition of other components. One of ordinary skill in the art would have realized that water and orange juice make up over 84% of the beverage.⁹ One of ordinary skill in the art would recognize that juices can be blended for flavor.

Duke describes that *Garcinia Mangostana* L. is "cultivated for its fruit, which has a flavor suggestive of strawberry and grape; said to be the most delicious of all tropical fruits." (257:2-3). Yaacob describes mangosteen fruits as "one of the finest flavored fruits in the world, outranking all other tropical fruits; the mangosteen has therefore justly earned the popular title of 'Queen of Fruits'" (5:19-22).

9. 54.46% water, 30.0% orange juice. (JP '442, 16, ll. 19-28).

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We agree with the Examiner that these references provide ample motivation to combine mangosteen juice, another fruit or vegetable juice, and mangosteen pericarp in a beverage, to cover up the taste of the mangosteen rind.

Specifically, the only difference between the prior art of record and the claimed invention is the addition of a mangosteen juice to the nutraceutical mangosteen rind/orange juice beverage of the prior art. Mangosteen fruit segments were known for their delicious taste and Appellants' do not dispute the Examiner's finding that the blending of juices for taste improvement was well known in the art.

Additionally, the blending of two known fruit juices to form a beverage juice blend is prima facie obvious. *In re Kerkhoven*, 626F.2d 846, 850, 205 USPQ 1069, 1072 (CCPA 1980) (It is prima facie obvious to combine two compositions each of which is taught by the prior art to be useful for the same purpose, in order to form a third composition which is to be used for the very same purpose.).

With this prior art background in place, we turn to the specific arguments of the Appellants.

Suggestion or Motivation to Combine

The Appellants urge that the "Final Office Action" does not rely on the prior art for a suggestion or motivation to combine the elements. (Br. p. 17, ll. 1-2).

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The Appellant urges that the Examiner did not provide particular findings in the prior art that suggest or motivate the actual combination being claimed. (*Id.*, ll. 21-22). The Appellant then quotes a portion of that Final Office Action in support of its argument.

This argument is without merit. The portion of the final action of April 21, 2005 quoted by the Appellant did not state the rejection as applied in a previous December 6, 2004 Office Action. The quoted portion addressed and responded to the arguments of counsel made in a March 7, 2005 response to the previous December 6, 2004 rejection. It concluded with the statement that "Thus, the rejection is maintained and is proper" (Final Action, April 21, 2005, p. 4, last line).

The text of the rejection as it stood is found in the Office Action dated December 6, 2004 and the Examiner's Answer.

In that rejection, the Examiner found pericarp from a fruit of *Garcinia mangostana* L. (mangosteen) was known as well as the juice of mangosteen and another juice. The Examiner specifically found that (1) Yaacob teaches the use of mangosteen pericarp for various medicinal uses and that the fruit was known to be preserved as a drink; (2) Kirtikar and Caius teach the pericarp is used as an astringent; (3) JP '442 teaches combining the mangosteen rind with fruits of other plants; (4) JP '501 teaches that pericarp from mangosteen is used to treat various conditions; and (5) Duke teaches mangosteen rind (pericarp) is known to

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be used as an astringent for various ailments. (Office Action, December 6, 2004, pp. 2-3).

The Examiner then concluded it would have been obvious to one of ordinary skill in the art at the time the invention was made to combine the two or more ingredients which were known in the prior art to be useful for the same purposes. (*Id.* p. 3).

The Appellant, on the other hand, urges that the quotation from the Final Action is no more than conclusory statements and not evidence of motivation or suggestion. (Br. p. 18, ll. 1-2).

We find that this argument ignores that the body of the rejection is found elsewhere in the application prosecution history. This argument has not challenged the substance of the findings and conclusion of the Examiner. No persuasive contrary evidence is provided. Accordingly, we find no error in the initial finding of obviousness based on this argument.

The "Teaching Away"

The Appellant next urges that the Examiner failed to consider the prior art as a whole in that the prior art "teaches away from the combination cobbled together by the Examiner" (Br. p. 18, ll. 7-9). The principal thrust of this argument is that the rind tastes so bad one would not be led to combine it with the fruit.

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The Appellant quotes a portion of Yaacob:

The method of preparation is *to cut carefully* across the central part of the woody layer, removing the thick skin without touching the white aril. *Care must be taken to prevent the resins or tannins exuded from the cut pericarp coming into contact with the fruit segments.* When the segments of the aril are exposed, they can be removed with a fork. The seeds are also edible, after they have been boiled in water. (Br. p. 18, ll. 11-16).

The Appellant quotes a portion of Duke:

The juicy pulp (aril), surround [sic] and adhering to the seed, is the edible part . . . Rind contains enough tannin for tanning leather and is the source of a black dye. (Id. ll. 18-19).

The Appellant also urges that several references indicate that pericarp is astringent, and concludes with the argument that the art teaches that the pericarp should not be combined with the edible fruit of the mangosteen. (Br. p. 19, ll. 1-10).

We agree with the Appellant that the evidence of record supports a finding that the rind of the mangosteen fruit has a bad taste.

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However, the “teaching away” that the Appellant is asserting is in the specific context of fresh mangosteen fruit and ignores other known methods of preparing the mangosteen fruit, and the known prior art methods of overcoming the bad taste of the rind.

Appellants’ alleged teaching away is nothing more than a recognition that a person desiring solely the “delicious taste” of the mangosteen fruit segments¹⁰ would keep the mangosteen’s pericarp portion separate from the fruit segment. Yet, the record demonstrates that a person seeking the alleged medicinal properties of the mangosteen pericarp would seek out the pericarp, even though it is known to have a bitter taste.

Indeed, a person seeking the pericarp’s medicinal benefits, but at the same time wishing to avoid its unpleasant taste, would attempt to mask the flavor of the pericarp. As taught by the prior art, one of ordinary skill in the art knows to mask a bitter tasting ingredient through the addition of a juice, especially a fruit juice. As mangosteen juice is known as the “Queen of Fruits” due to its great taste, one skilled in the art would have

10. The opening of the cited paragraph of Yaacob reads as follows:

Fresh Fruits

The mangosteen fruit is always best eaten as a fresh fruit. The method of preparation is to cut carefully (Yaacob, p. 14, ll.4-11). Yaacob’s teaching, in perspective, is principally to the fresh fruit segments, not already known prepared drinks.

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added the mangotsteen juice to the prior art mangosteen rind/orange juice drink so as to improve the taste of the prior art beverage.

However, the issue at hand does not most properly pertain to the eating of fresh mangosteen in the jungles of Thailand or the Philippines. Rather, the closest prior art to the invention as claimed has already recognized that the mangosteen rind has medicinal benefits and should be included in a beverage with other juices for those medicinal benefits and improved taste. (E.g. JP 442, Example 6). Indeed, the prior art has recognized that the taste can be improved with water and orange juice. The addition of mangosteen juice to the rind/juice known drink is taught by the known desirability of the mangosteen fruit – the “Queen of Fruits” with a great taste.

Finally, the multiple references teaching medicinal properties of the mangosteen rind would have led one of ordinary skill in the art to include it in the claimed composition – Duke, JP ‘442, JP ‘501, Yaacob, Caius, Kirtiker, and others each teach at least one medicinal use for ingesting the rind or an extract of the rind of the mangosteen fruit. What teaching there may have been in the references regarding the bitter taste of the rind is more than overcome by the teaching of benefits to be gained by the addition of the rind to a drink. Furthermore, the argument lacks persuasive merit as the closest prior art already has the rind in the beverage

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Accordingly, we are unpersuaded by this contention.

“Official Notice”

The Appellant has urged that the Examiner has not cited to any documentary evidence of motivation or a suggestion to combine, either in the prior art or the general knowledge in the art. (Br. p. 19, last 2 lines). As such, it is alleged that the Examiner must be taking “[o]fficial notice” of those facts. (Br. p. 20, ll. 1-2). This argument is without persuasive merit.

It appears that this argument is based on the Appellants’ quotation of the same paragraph in the Final Rejection discussed above. As noted, that paragraph was directed to addressing the Appellant’s arguments and did not restate the then pending rejection. The Appellants are either ignoring or are not cognizant of the text of the rejection in the December 6, 2004 rejection.

We have found above that the rejection is based on facts of record in this proceeding, supported by the evidence of the multiple cited references. We see no instances of the Examiner taking “official notice” of facts unsupported in the record.

Accordingly, this argument is unpersuasive as well.

*Appendix B**Hindsight*

The Appellant urges that the rejection is based on hindsight. More specifically, the Appellant urges that the Examiner followed the suggestion of the third-party requester and

[U]sed the '333 patent specification as a template to pick and choose, from the many ingredients listed in the cited references, certain ingredients, such as mangosteen pericarp, mangosteen pulp, and other fruit or vegetable juices, and then combine them together in accordance with the teaching of the '333 patent. (Br. p. 23, ll. 1-4).

We also find this argument unpersuasive.

First, two of the three ingredients were known to be combined in a beverage in Example 6 of JP '442.

Second, the only difference between the prior art and the claimed invention of claim 1 was the addition of a known fruit juice with a known superior taste, added for flavor. The references of record indicate that a person of ordinary skill in the art, at a minimum, would have some practical experience in formulating nutraceutical beverages for medicinal content and flavor. (See, e.g. JP '442, example 6).

The art of record supports a finding of a teaching, suggestion, or motivation to combine the references.

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In particular, the record supports a finding that Appellants' have done no more than combine known elements in a known manner for the purpose of achieving a predictable result, the formation of a fruit juice blend having nutraceutical properties. KSR at 1739, 82 USPQ2d at 1395.

Lack of a Reasonable Expectation of Success

The Appellant urges that it was known that the mangosteen pericarp was bitter, tough, and astringent, and one of ordinary skill in the art would have known to keep the pericarp separate from the fruit pulp. Accordingly, it is urged that a person of ordinary skill in the art, being aware of these teachings, would have no reasonable expectation of success of a nutraceutical beverage containing mangosteen pericarp. (Br. p. 24, ll. 5-15).

As the evidence of record indicates that beverages had been prepared in the prior art containing mangosteen pericarp (See, e.g. JP 442, example 6), and the Appellant has put forth no persuasive evidence to the contrary, we find that this argument is without persuasive merit.

Failure to Show All the Claim Limitations

The Appellant urges that the Examiner "did not differentiate among the 81 separate claims," "failed to differentiate among the seven cited references," "failed to distinguish a primary reference and secondary

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references," and "failed to identify where each and every limitation of claims 1-4, 6-14, 21-22, 44-47, 49, 50, 57-65, 73-74, and 78-80 was allegedly disclosed in the prior art of record." (Br. p. 25, 11. 8).

As to the argument relating to differentiating among the various claims, we note that the Board of Patent Appeals and Interferences does not sit in a supervisory capacity over the Patent Examining Corps. 37 CFR § 1.104(b) requires the Examiner's Action to be complete as to all matters. If the Action was not complete, a petition to the Director under 37 CFR § 1.181(a)(1) or (3) should have been made. No such petition appears in the record. By proceeding to appeal, the Appellants as a litigation strategy have chosen to forego this argument.

Furthermore, even were we to deem the issue properly before us, the Appellant has not argued any of these multiple claims separately as required by our rules. By separate argument, we mean specific argument relating to why one of ordinary skill in the art would not have found a particular claim or group of claims to be obvious. 37 CFR § 41.37(c)(vii) requires separate argument of claims; merely pointing out what a claim recites is not separate argument.

Additionally, "... the Board may select a single claim from the group of claims that are argued together to decide the appeal with respect to the group of claims that are argued together . . ." (*Id.*). We have selected claim 1; the Appellant has provided no meaningful

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argument or reasoning as to why any of the other claims would have been separately patentable. Accordingly, we need not reach the individual claims, as explained below.

Claims 2-5, 9-14, 21-22, 45-48, 50, 63-66, and 78-81 recite known juices such as fruit juices, vegetable juices, or concentrates thereof. The Appellant has not explained why each of which would not have been obvious to use by one of ordinary skill in the art to be used in a beverage.

Claims 29-43 have been withdrawn from appeal and as such the rejection is summarily affirmed.

Claims 6-8 recite known methods of preparing ingredients (whole fruit, ground, or powdered). The Appellant has not put forth any meaningful argument as to why each would not have been obvious to one of ordinary skill in the art.

Claims 15-17 recite percentages by weight of fruit juice and pericarp; claims 18-20 recite ratios of water to pericarp and juice; claims 23-25 recite ratios of pericarp and first juice to the total weight; claims 26-28 recite ratios of water to pericarp, first juice, and second juice; claims 51-53 recite a percentage by weight of fruit pulp and pericarp; claims 54-56 recite a ratio of water to fruit pulp, pericarp, and juice concentrate; claims 67-69 recite a percentage by weight of ground fruit pulp and pericarp; claims 70-72 recite a ratio of water to the remaining ingredients; and claims 75-77 recite a ratio of water to liquid pericarp.

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The Appellants have not put forth any meaningful argument as to why these claims would not have been obvious.

Claim 49 recites flash pasteurizing the mixture of pericarp and juices. The Appellants have not put forth any meaningful argument as to why this claim would not have been obvious.

Claims 57-61 recite known nutraceutical delivery forms, namely syrup, powdered drink mix, tablet, capsule, and beverage. The Appellants have not put forth any meaningful argument as to why these claims would not have been obvious.

Claims 44, 62, and 73 are independent method claims. Claim 44 recites "processing" of the claimed ingredients, "providing" another juice, and "combining" into a mixture, claim 62 recites "grinding" the claimed ingredients, "providing another juice, and combining into a mixture, and claim 73 recites "grinding" pericarp, "providing" another juice; and mixing. The Appellants have put forth no persuasive argument explaining why these claims would not have been obvious to one of ordinary skill in the art at the time the invention was made.

Claim 73

We observe that claim 73 appears to violate 37 CFR § 1.75(g), requiring the least restrictive claim to be claim 1. Despite claim 73's placement towards the end of the

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claims, it has not escaped our attention that claim 73 is undoubtedly a broad claim, requiring as ingredients only ground whole mangosteen pericarp and a juice other than mangosteen juice, closely mimicking Example 6 of JP '442. The Appellants have not explained why this claim would not have been obvious to one of ordinary skill in the art at the time the invention was made.

Finally, the Appellants' characterization of the references as "primary" and "secondary" evidences a misunderstanding of the law. The question before us is not determined by how the examiner has chosen to delineate the references in his exposition of the rejection. Rather, the question to be resolved under § 103 depends on what the prior art teaches or suggests and whether what the prior art teaches or suggests would have rendered what is claimed unpatentable. *In re Albrecht*, 579 F.2d 92, 94, 198 USPQ 208, 209, 210 (CCPA 1978); *In re Bush*, 296 F.2d 491, 496, 131 USPQ 263, 267 (CCPA 1961)

We are therefore not persuaded by this argument.

The Secondary Considerations

The Appellant urges that the Examiner failed to consider its evidence of non-obviousness. The Appellant alleges that XanGo™ juice sold \$130,000.000 in gross sales in its first two years of business, and the Examiner improperly failed to consider the information by applying an erroneous nexus test.

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In 1966, the Supreme Court in *Graham v. John Deere Co.*, 383 U.S.1, 148 USPQ 459 (1966) interpreted and applied section 103, stating:

Under 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. 383 U.S.1, 17-18, 148 USPQ 459, 467 (1966).

A nexus is required between the commercial success and the claimed invention. *Ruiz v. A.B. Chance, Inc.* 234 F.3d 654 (Fed. Cir. 2000). This is to ensure that the secondary considerations are really due to the claimed invention, and not some other factor.

Objective evidence of nonobviousness including commercial success must be commensurate in scope with the claims. *In re Tiffin*, 448 F.2d 791, 171 USPQ 294 (CCPA 1971) (evidence showing commercial success of thermoplastic foam "cups" used in vending machines was not commensurate in scope with claims directed to thermoplastic foam "containers" broadly).

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Additionally, commercial success must be the result of the claimed and novel features. *Ormco Corp. v. Align Tech., Inc.*, 463 F.3d 1299, [GET PIN] 79 USPQ2d 1931, 1941-42 (Fed. Cir. 2006) (Evidence of commercial success not credible where success was based on features that were not new); *J.T. Eaton & Co. v. Atlantic Paste & Glue Co.*, 106 F.3d 1563, 1571, 41 USPQ2d 1641, 1647 (Fed. Cir. 1997) (“[T]he asserted commercial success of the product must be due to the merits of the claimed invention beyond what was readily available in the prior art.”).

The difference between the prior art and the claimed composition is the addition of mangosteen juice to a beverage containing mangosteen rind and orange juice. Appellants’ evidence of commercial success must demonstrate that the success was due to the novel feature of the claimed invention, the addition of the mangosteen juice to a known mangosteen rind nutraceutical beverage. As discussed below, it does not.

Analysis of the Commercial Success

We start with the commercial product, XanGo™. The only evidence of record as to the contents of XanGo™ that we are directed to is the Declaration of Mr. Bean, a patent attorney. According to the Declaration of Mr. Bean:

4. I am also personally familiar with XanGo’s nutraceutical beverage product – XanGo™ Juice, sold under the trademark

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XanGo™ and the related market. I have confirmed my understanding of the XanGo™ Juice composition and production with XanGo's employees and contractors. I have also confirmed my understanding of the sales information and market position of XanGo™ Juice with XanGo's employees and officers.

5. XanGo™ Juice is made from the whole fruit (both pericarp and pulp) of a *Garcinia Mangostana L.* (Mangosteen) tree in combination with juices from other vegetables, including other fruit juices. Ingredients of XanGo™ Juice include reconstituted *Garcinia mangostana* juice from whole fruit, apple juice concentrate, pear juice concentrate, grape juice concentrate, pear puree, blueberry juice concentrate, raspberry juice concentrate, strawberry juice concentrate, cranberry juice concentrate, cherry juice concentrate, etc. *See* Product Label of XanGo™ Juice, attached as Exhibit B1."

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An attached copy of a label of Xango containing a nutrition information box contains the following information:

Supplement Facts

Serving Size: 1 fl. oz. (30 ml)

Serving [sic] per container: 25

Amount per 1 fl. oz. (30 ml)	% Daily Value*
Calories 10	
Total Carbohydrate 3g	1 %*
Sugars 2g	
Proprietary Blend 30 ml	
Mangosteen (<i>Garcinia mangostana</i> L)	
Whole Fruit Juice	†
Apple Fruit Juice	†
Pear Fruit Puree	†
Blueberry Fruit Juice	†
Raspberry Fruit Juice	†
Strawberry Fruit Juice	†
Cranberry Fruit Juice	†
Cherry Fruit Juice	†

* Percent Daily Values are based on a 2,000 calorie diet

† Daily Value not established

Other Ingredients: citric acid, natural flavor, pectin, xanthan gum, sodium benzoate.

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First, we find that the testimony of Mr. Bean is of low persuasive value in its form. Mr. Bean does not make clear how he has come by the information of paragraph 5. We are presented with no evidence that Mr. Bean did anything other than read a current product label, ask someone if it was accurate, and then read those ingredients onto the claim, as discerned from the last words of Paragraph 5 – “See Product Label of XanGo™ Juice, attached as Exhibit B1.”

Mr. Bean’s Declaration provides no persuasive evidence of any real personal knowledge of the contents of XanGo™ for the relevant time frame for claimed commercial success. For example, no chemical analyses, product batch sheets, manufacturing records, sales records, or the like are provided in support of any specific testimony that the commercially sold XanGo™ product contains the listed ingredients in the time period 2002-2004 accounting for the \$130,000,000 in sales. In sum, we do not find paragraph 5 to be persuasive or credible.

Second, we are presented with no persuasive evidence that the proffered product label accurately reflects the current content of XanGo™, let alone its historic content over the time period for which commercial success is claimed. We are provided with no testimony to assist in interpreting this product label or information about the relative content of any of the ingredients. The product label standing alone lacks any persuasive evidence (e.g., testimony) linking it to the product and time period of claimed commercial success.

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For this reason alone, the Appellants' showing of secondary considerations in terms of commercial success fails.

However, we observe that the showing is deficient in additional ways. It is not commensurate in scope with the claimed subject matter. All of the ingredients listed in the Bean Declaration and product label are listed as "fruit" juices. However, the claims, prosecuted by Mr. Bean, recite a second juice selected from the group consisting of "fruit juice and vegetable juice." There is no persuasive evidence in the record of commercial success as to the entire second category, vegetable juice. Each of the listed items on the product appears as a "Fruit Juice" or "Fruit Puree."

Mr. Bean's Declaration does seem to say that XanGo™ is made from mangosteen fruit "in combination with juices from other vegetables, including other fruit juices." (Paragraph 5, lines 2-3). If Mr. Bean is equating fruit with vegetable, then a good number of the dependent patent claims directed specifically to "fruit" or "vegetable" do not further limit the claims from which they depend (See, e.g. Claims 2, 4, 30, and 32). If Mr. Bean is stating that one of the listed ingredients is a vegetable (in the sense used in the specification and claims), then either he, the product ingredient list upon which he is relying, or instant claim 3 which he prosecuted is in error in listing each ingredient as a "Fruit Juice."

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In other words, we find that Mr. Bean appears to be glossing over the inconsistency and lack of evidence relating to the vegetable juice half of the claim. As a consequence the probative value of his Declaration is significantly diminished.

Counsel for XanGo relies heavily upon Mr. Bean's statements, noting

"Mr. Bean, a chemical engineer and patent attorney serving as the corporate counsel of XanGo and the prosecuting attorney of the '333 patent, declared, under oath, and from his own personal knowledge of XanGo™ Juice, that the commercial product:

* includes pulp and pericarp from mangosteen whole fruit;

* includes juice from mangosteen fruit; and

* includes other fruit and vegetable juices, such as apple fruit juice, pear fruit juice, grape fruit juice, and cranberry fruit juice." (Br. p. 28, l. 16 – p. 29, l. 2.) (emphasis added).

Again, we are not told how Mr. Bean acquired his personal knowledge, or which of the juices in XanGo™ is a "vegetable" juice.

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We then turn to the sales data. Even though a raw \$130,000,000.00 in sales is an impressive figure for a two year period, there is no persuasive evidence tying those sales to the claimed subject matter. Mr. Bean's Declaration lacks credibility and persuasive evidence of exactly what was sold those two years. The sales data, if the content is as on the label, is also not commensurate in scope with the claimed subject matter.

Even were those infirmities overcome, there is already evidence in the record which indicates that the commercial sales may be due to other factors. For example, Yaacob states that the "popularity of the mangosteen is consistently increasing" (Yaacob, 5:23). It is said to be an extremely good tasting juice. Duke calls it "the most delicious of all tropical fruits." (257:2-3). We are provided with no evidence comparing the growth in sales of XanGo™ to the growth in sales of mangosteen juice in general.

The Appellants also urge that XanGo's marketing efforts are "flat" and "low" and generally less than 0.60% of product sales. (Br. p. 41, l. 1 and 4). However, XanGo, the parent company which sells XanGo™, also appears to be a multilevel marketing company. In its evidentiary appendix to the Brief, a sheet entitled "Xango Compensation" seems to indicate there are levels of sales earning commissions of up to 30% – so called "PowerStart "Double-Depth" sales. In its policies and procedures manual, XanGo is said to be a "network marketing company." (Page 1). How much of the

Appendix B

commercial success is due to aggressive network marketing in the form of sales commissions and bonuses is unexplained by the Appellants.

In ex-parte proceedings before the Patent and Trademark Office, an applicant must show that the claimed features were responsible for the commercial success of an article if the evidence of nonobviousness is to be accorded substantial weight. See *In re Huang*, 100 F.3d 135, 140, 40 USPQ2d 1685, 1690 (Fed. Cir. 1996). We are not requiring the Appellants to prove the negative, but rather the Appellants must meet a minimum burden of proving their case of commercial success, commensurateness, and nexus with persuasive evidence of record sufficient to render the claims unobvious. This the Appellants have not done.

The Appellants have not established with credible and persuasive evidence what product was marketed and when. The Appellants have not established that the product which was sold is commensurate in scope with the scope of the claims for which protection is sought. Finally, the Appellants have not persuaded us that the sales are a result of anything other than network marketing, the increasing popularity of mangosteen, and improved availability of the mangosteen fruit in general.

Accordingly, we find that the evidence of commercial success is insufficient to persuade us of the unobviousness of the claimed subject matter, which differs from the prior art only in the addition of a known, tasty, mangosteen juice.

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The rejections are therefore AFFIRMED.

DECISION

The rejection of claims 1-28 and 44-81 under 35 USC § 103 as being unpatentable as obvious over the combination of JP '442, JP '501, Duke, Caius, Nakatani, Kirtikar, and Yaacob is AFFIRMED.

The rejection of claims 29-43 under 35 USC § 103 as being unpatentable as obvious over the combination of JP '442, JP '501, Duke, Caius, Nakatani, Kirtikar, and Yaacob is AFFIRMED.

AFFIRMED

APJ initials

lp

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**APPENDIX C — ORDER OF THE UNITED STATES
COURT OF APPEALS FOR THE FEDERAL CIRCUIT
DATED AND FILED JANUARY 16, 2009**

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

2008-1120
(Reexamination No. 90/007,178)

IN RE DBC

Appeal from the United States Patent and Trademark
Office, Board of Patent Appeals and Interferences.

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellant, and the petition for rehearing, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

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Appendix C

The mandate of the court will issue on January 23, 2009.

FOR THE COURT,

s/ Jan Horbaly
Jan Horbaly
Clerk

Dated: 01/16/2009

**APPENDIX D — CONSTITUTIONAL PROVISION
AND STATUTE INVOLVED**

U.S.C.A. Const. Art. II § 2, cl. 2

**Section 2, Clause 2. Treaty Making Power;
Appointing Power**

He shall have Power, by and with the Advice and Consent of the Senate, to make Treaties, provided two thirds of the Senators present concur; and he shall nominate, and by and with the Advice and Consent of the Senate, shall appoint Ambassadors, other public Ministers and Consuls, Judges of the supreme Court, and all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.

*Appendix D***35 U.S.C. § 6(a)**
[prior to August 12, 2008]**§ 6. Board of Patent Appeals and Interferences**

(a) Establishment and composition. There shall be in the United States Patent and Trademark Office a Board of Patent Appeals and Interferences. The Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Director.

35 U.S.C. § 6(a)
[current]**§ 6. Board of Patent Appeals and Interferences**

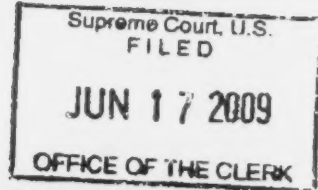
(a) **Establishment and composition.**—There shall be in the United States Patent and Trademark Office a Board of Patent Appeals and Interferences. The Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Secretary of Commerce, in consultation with the Director.

*Appendix D***35 U.S.C. § 6(c)**

(c) Authority of the Secretary—The Secretary of Commerce may, in his or her discretion, deem the appointment of an administrative patent judge who, before the date of the enactment of this subsection, held office pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge.

35 U.S.C. § 6(d)

(d) Defense to Challenge of Appointment—It shall be a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge's having been originally appointed by the Director that the administrative patent judge so appointed was acting as a de facto officer.



No. 08-1284

In the Supreme Court of the United States

DBC, PETITIONER

v.

PATENT AND TRADEMARK OFFICE, BOARD OF PATENT
APPEALS AND INTERFERENCES

*ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT*

BRIEF FOR THE RESPONDENT IN OPPOSITION

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QUESTION PRESENTED

Whether the decision of the Board of Patent Appeals and Interferences in this case should be vacated because two of the members of the panel were appointed by the Director of the Patent and Trademark Office rather than the Secretary of Commerce, when petitioner did not raise its Appointments Clause challenge before the Board.



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In the Supreme Court of the United States

No. 08-1284

DBC, PETITIONER

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*ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT*

BRIEF FOR THE RESPONDENT IN OPPOSITION

OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-24a) is reported at 545 F.3d 1373. The opinion of the Board of Patent Appeals and Interferences of the United States Patent and Trademark Office (Pet. App. 25a-61a) is not reported.

JURISDICTION

The judgment of the court of appeals was entered on November 3, 2008. A petition for rehearing was denied on January 16, 2009 (Pet. App. 62a-63a). The petition for a writ of certiorari was filed on April 15, 2009. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. The United States Patent and Trademark Office (USPTO) is “responsible for the granting and issuing of patents,” subject to the policy direction of the Secretary of Commerce. 35 U.S.C. 2(a)(1). The “powers and duties” of the USPTO are vested in the “Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office” (Director), who is appointed by the President with the advice and consent of the Senate. 35 U.S.C. 3(a)(1).

When a patent examiner within the USPTO makes an adverse decision on a patent application during original examination or on a patent during reexamination, the disappointed patent applicant or patent owner may appeal the decision to the Board of Patent Appeals and Interferences (Board). The Board includes, *inter alia*, the Director, the Commissioner for Patents, the Commissioner for Trademarks, and “administrative patent judges.” 35 U.S.C. 6(a) and (b); 35 U.S.C. 134(a) and (b). The members of the Board who are “administrative patent judges” are required by statute to be “be persons of competent legal knowledge and scientific ability.” 35 U.S.C. 6(a). Each appeal to the Board must be heard by “at least three members of the Board, who shall be designated by the Director.” 35 U.S.C. 6(b). A patent owner may seek judicial review of an adverse decision of the Board in the United States Court of Appeals for the Federal Circuit. 35 U.S.C. 141, 306.

Between 2000 and 2008, administrative patent judges were “appointed by the Director.” 35 U.S.C. 6(a). Since August 2008, they have instead been “appointed by the Secretary of Commerce, in consultation with the Director.” Act of Aug. 12, 2008 (2008 Act), Pub. L. No. 110-313, § 1(a)(1)(B), 122 Stat. 3014 (to be codified at 35

U.S.C. 6(a)). When Congress changed the appointment method in 2008, it authorized the Secretary, "in his or her discretion, [to] deem the appointment of an administrative patent judge who, before [August 12, 2008], held office pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge." *Id.* § 1(a)(1)(C), 122 Stat. at 3014 (to be codified at 35 U.S.C. 6(c)). Congress also provided that, in cases involving "a challenge to the appointment of an administrative patent judge on the basis of the judge's having been originally appointed by the Director," "[i]t shall be a defense * * * that the administrative patent judge so appointed was acting as a de facto officer." *Ibid.* (to be codified at 35 U.S.C. 6(d)). Shortly after the statute was enacted, the Secretary re-appointed all of the current administrative patent judges who were initially appointed between 2000 and 2008, effective on the respective dates they were appointed by the Director.

2. Petitioner owns a patent that was issued in May 2004 and is directed to a "nutraceutical composition[] comprising a mixture of the pulp and pericarp of the mangosteen fruit." Pet. App. 2a. In October 2004, pursuant to a request filed by a third party, a patent examiner at the USPTO reexamined the patent and invalidated it on the ground that its subject matter would have been obvious at the time of invention. *Id.* at 3a-4a.

Petitioner appealed the examiner's decision to the Board. On June 20, 2007, a three-member panel of the Board heard oral argument on the appeal. Pet. App. 27a. On August 24, 2007, the panel affirmed the examiner's decision. *Id.* at 25a-61a.

3. a. Petitioner then sought judicial review in the court of appeals, challenging the determination of obvi-

ousness. Pet. App. 5a. After the close of briefing in the court of appeals, petitioner filed a supplemental brief, arguing for the first time that the Board's decision should be vacated because two of the three administrative patent judges who had participated in the case had been appointed by the Director. *Id.* at 6a-7a & n.2. Petitioner contended that the appointment of administrative patent judges by the Director violated the Appointments Clause, which requires that inferior officers be appointed by "the President alone, * * * the Courts of Law, or * * * the Heads of Departments." U.S. Const. Art. II, § 2, Cl. 2.

The government responded that petitioner had waived any challenge to the appointment of the Board members by failing to raise the issue before the agency or in its opening and reply briefs before the court of appeals. Pet. App. 6a. The government explained that, if petitioner had raised its objection before the Board, the Board might have chosen to avoid any potential constitutional violation by convening a new panel with members whom the Secretary of Commerce had appointed prior to 2000. See *id.* at 9a. The government also argued that the 2008 Act altering the appointment of administrative patent judges had obviated petitioner's constitutional objection, both by authorizing the Secretary to appoint the administrative judges in petitioner's case and to deem their appointments to "take effect on the date on which the Director initially appointed" them, and by recognizing a defense on the ground that each of the judges had been "acting as a de facto officer" at the time the Board issued its decision. § 1(a)(1)(C), 122 Stat. at 3014 (to be codified at 35 U.S.C. 6(c) and (d)).

b. The court of appeals held that petitioner had waived its Appointments Clause challenge by failing to

raise it before the Board, explaining that “a party generally may not challenge an agency decision on a basis that was not presented to the agency.” Pet. App. 7a. The court noted that even if petitioner did not learn which administrative patent judges had been assigned to its case until after its briefs were filed with the Board, it still had an opportunity to raise an Appointments Clause challenge in a post-argument submission or in a motion for reconsideration. *Id.* at 10a. The court explained that, if the challenge had been raised “before the Board, the Board could have evaluated and corrected the alleged constitutional infirmity.” *Ibid.* As a result, a timely challenge before the Board could have “avoided the unnecessary expenditure of the administrative resources of the original Board panel, the judicial resources of [the court of appeals], and the substantial delay and costs incurred in prosecuting this appeal.” *Id.* at 11a.

Recognizing that “excusal of [petitioner’s] waiver is discretionary,” the court of appeals considered several factors before declining to take the “exceptional measure” of accepting petitioner’s invitation “to consider a challenge it failed to timely raise.” Pet. App. 12a. The court noted that “permit[ting] litigants like [petitioner] to raise such issues for the first time on appeal would encourage * * * sandbagging.” *Id.* at 13a. The court also considered the 2008 statute (which “eliminat[ed] the issue of unconstitutional appointments going forward”), the lack of “any allegation of incompetence or other impropriety regarding the administrative patent judges” in this case, the likelihood that a remand would simply result in having the case assigned “to the same panel [of the Board]” (each member of which has now been appointed by the Secretary), and the fact that the court it-

self was affirming the merits of the Board's decision. *Id.* at 13a-14a.¹

c. On the merits, the court held that substantial evidence supports the Board's determination that the patent at issue was properly invalidated on obviousness grounds. Pet. App. 15a-24a.

ARGUMENT

Petitioner concedes (Pet. 20) that a court of appeals' decision whether to address "an Appointments Clause challenge raised for the first time on appeal is discretionary." In this case, the court of appeals' fact-bound decision not to address petitioner's forfeited argument is correct and does not conflict with any decision of this Court or any other court of appeals. Moreover, to the extent that petitioner raises additional constitutional challenges to the 2008 statute that altered the appointment of administrative patent judges, those arguments (which the court of appeals also declined to address) lack merit and do not implicate any conflicts in the courts of appeals. There is consequently no sound reason for this Court to depart from its usual practice of refraining to answer constitutional questions in the first instance.

1. Petitioner forfeited its constitutional challenge by failing to present the Appointments Clause issue either to the agency or in its opening brief or reply brief in the court of appeals. As a direct result of that forfeiture, the issue was never considered by the agency or the

¹ Because the court of appeals concluded that petitioner had waived its Appointments Clause challenge, the court declined to address the government's alternative contention that the administrative patent judges should be treated as *de facto* officers pursuant to the 2008 statute. Pet. App. 6a n.3, 14a.

court of appeals, and this Court should refrain from deciding the question as a matter of first impression.

a. Because “[t]his Court * * * is one of final review, ‘not of first view,’” *FCC v. Fox Television Stations, Inc.*, 129 S. Ct. 1800, 1819 (2009) (quoting *Cutler v. Wilkinson*, 544 U.S. 709, 718 n.7 (2005)); see *Adarand Constructors, Inc. v. Mineta*, 534 U.S. 103, 110 (2001) (per curiam), it generally declines to consider arguments that have not been previously addressed. That is especially true with regard to constitutional questions. “If there is one doctrine more deeply rooted than any other in the process of constitutional adjudication, it is that [the Court] ought not to pass on questions of constitutionality . . . unless such adjudication is unavoidable.” *Department of Commerce v. United States House of Representatives*, 525 U.S. 316, 343 (1999) (quoting *Spector Motor Serv., Inc. v. McLaughlin*, 323 U.S. 101, 105 (1944)). Thus, in *Fox Television*, the Court upheld certain FCC orders against a challenge under the Administrative Procedure Act, 5 U.S.C. 551 *et seq.*, but it declined to “decide their validity under the First Amendment” because the court of appeals had “not definitively rule[d] on the constitutionality of the Commission’s orders.” 129 S. Ct. at 1819.

The reasons for declining to consider issues that were not decided below are particularly strong when the litigant that seeks this Court’s review failed to present its claims in a timely fashion to the lower court or the responsible Executive Branch agency. Requiring an issue to be timely raised in the proceedings below serves important purposes. It promotes judicial economy by ensuring that potentially dispositive issues can be resolved at the earliest possible stage, and it discourages “the practice of ‘sandbagging,’” *i.e.*, allowing, “for stra-

tegic reasons," the lower court or administrative body to "pursue a certain course, and later—if the outcome is unfavorable—claiming that the course followed was reversible error." *Freytag v. Commissioner*, 501 U.S. 868, 895 (1991) (Scalia, J., concurring in part and concurring in the judgment); see also *Wainwright v. Sykes*, 433 U.S. 72, 89-90 (1977).

Both of those purposes would be served by denying review in this case. Petitioner never raised its constitutional challenge while its case was pending before the Board. Petitioner also failed to raise the issue in its opening or reply brief before the court of appeals. Allowing the decisions below to be overturned on the basis of a challenge to the Board's composition that was first raised long after petitioner knew which administrative patent judges would decide its appeal would waste judicial resources and encourage sandbagging in future cases. Because the Appointments Clause question was neither timely pressed nor passed upon below, the Court should follow its customary practice and refuse to decide the question in the first instance.

b. The court of appeals held (Pet. App. 6a) that petitioner had waived its constitutional challenge by failing to raise that issue while the case was pending before the Board. In response, petitioner contends that it would have been "impossible" to raise the claim before it knew which Board members would hear its appeal, Pet. 18, and that its failure to raise its constitutional challenge should be excused because an administrative agency cannot "entertain a claim that the statute which created it was in some respect unconstitutional." *Ibid.* (quoting *Robertson v. FEC*, 45 F.3d 486, 489 (D.C. Cir. 1995)). Those arguments are unpersuasive.

Petitioner does not contest the *creation* of the Board (or of the USPTO), but merely the appointment of *some* of the Board's members, each of whom serves on any particular case only upon designation by agency officials. And as the court of appeals observed (Pet. App. 10a), even if petitioner did not know the composition of the panel "until oral argument or until a decision was issued," petitioner still could have challenged the panel's composition "in a post-argument submission or in a motion for reconsideration." Oral argument before the Board was held on June 20, 2007, more than two months before the Board issued its decision. See *id.* at 25a, 27a.

If petitioner had raised its Appointments Clause challenge in a timely fashion, nothing in the governing statutes or in general principles of administrative law would have precluded the Board from remedying the alleged constitutional defect. According to the Board's standard operating procedures, which "create[] internal norms for the administration" of the Board, the Chief Judge or Vice Chief Judge "will approve a revised designation" of the judges on a panel "[w]hen satisfied that there is good reason to change the panel already designated."² Board of Patent Appeals and Interferences, *Standard Operating Procedure 1 (Revision 12): Assignment of Judges to Merits Panels, Motions Panels,*

² Under 35 U.S.C. 6(b), a patent appeal within the USPTO is heard "by at least three members of the Board, who shall be designated by the Director." The Director has delegated the authority to designate panel members for individual cases to the Chief Administrative Patent Judge, who is also authorized to redelegate that authority to the Vice Chief Administrative Patent Judge. See U.S. Patent & Trademark Office, U.S. Dep't of Commerce, *Manual of Patent Examining Procedure* § 1002.02(f) at 1000-9 (8th ed., revision 6, Sept. 2007) <http://www.uspto.gov/web/offices/pac/mpep/mpep_e8r5_1000.pdf>.

and *Expanded Panels* 1, 6 (Aug. 10, 2005). As a result, if petitioner had raised its objection in a timely fashion (through, for example, a petition to the Chief Administrative Patent Judge under 37 C.F.R. 41.3), the agency would have had the power to replace the panel members to whom petitioner now objects. The Director, the Chief Judge, or the Vice Chief Judge might have determined that there was “good reason to change the panel already designated” if, for example, any of those officials wanted to avoid the uncertainty that might arise from a challenge to the constitutionality of any Board member’s appointment.

Accepting petitioner’s claim of futility would ratify a course of action that deprived the agency of any chance to consider measures that would have avoided the alleged constitutional problem. This is consequently an appropriate case to follow the “general rule” that “courts should not topple over administrative decisions unless the administrative body not only has erred, but has erred against objection made at the time appropriate under its practice.” *Woodford v. Ngo*, 548 U.S. 81, 90 (2006) (emphasis and citation omitted).

c. Even if petitioner had pressed its constitutional argument before the Board, or if its failure to present that issue to the Board could be excused on the ground of futility, petitioner’s failure to raise its Appointments Clause challenge in its opening brief or reply brief in the court of appeals would justify that court’s decision not to address the question. A court of appeals is not required to address non-jurisdictional arguments that a party seeking appellate review forfeits by leaving them unmentioned in its opening and reply briefs. See, e.g., 16AA Charles Alan Wright et al., *Federal Practice and Procedure* § 3974.1, at 232-243 & nn.13-19 (4th ed. 2008)

(citing cases). Indeed, “[n]o procedural principle is more familiar to this Court than that a constitutional right,’ or a right of any other sort, ‘may be forfeited in criminal as well as civil cases by the failure to make timely assertion of the right before a tribunal having jurisdiction to determine it.’” *United States v. Olano*, 507 U.S. 725, 731 (1993) (quoting *Yakus v. United States*, 321 U.S. 414, 444 (1944)).

d. Although petitioner concedes (Pet. 20) that the court of appeals had “discretion[]” not to “hear an Appointments Clause challenge raised for the first time on appeal,” petitioner contends (Pet. 18) that “[w]here a constitutional challenge is timely, it is against this Court’s jurisprudence to avoid a decision on the merits of a question under the Appointments Clause.” That argument is flawed for two reasons.

First, petitioner’s challenge was not raised in a timely manner. Petitioner’s reliance (Pet. 18) on *Ryder v. United States*, 515 U.S. 177 (1995), is misplaced. In *Ryder*, the Court stressed that the petitioner had “challenged the composition of the Coast Guard Court of Military Review while his case was pending before that court on direct review” and had thus “raised his objection to the judges’ titles *before those very judges and prior to their action* on his case.” *Id.* at 182 (emphases added). Here, by contrast, petitioner did not raise its Appointments Clause challenge until after the Board had ruled against it and the principal briefs had been filed in the court of appeals. Under these circumstances, petitioner’s contention that the court of appeals was required to entertain his forfeited challenge directly implicates the concerns discussed above relating to judicial efficiency and the prevention of sandbagging. See pp. 7-8, *supra*.

Second, petitioner is wrong in contending (Pet. 19) that this Court's "jurisprudence" required the court of appeals to address an "untimely * * * Appointments Clause challenge on the merits." As the court of appeals explained, this Court has never adopted such a rule. Pet. App. 12a; see *Freytag*, 501 U.S. at 893-901 (Scalia, J., concurring in part and concurring in the judgment). This case is distinguishable from those "'rare cas[es]'" in which this Court has "'exercise[d] [its] discretion' to hear a waived claim based on the Appointments Clause." *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 232 (1995) (quoting *Freytag*, 501 U.S. at 879).

Like *Plaut*, those rare cases (see Pet. 19-23) generally involved this Court's supervision and protection of uniquely judicial power, and especially Article III power. For example, in *Glidden Co. v. Zdanok*, 370 U.S. 530 (1962), the Court considered whether certain judges on the Court of Claims and the Court of Customs and Patent Appeals were Article III judges and thus eligible to sit on federal district courts and courts of appeals. Indeed, petitioner quotes (Pet. 19) the *Glidden* plurality's reference to "a strong policy concerning the proper administration of judicial business." 370 U.S. at 536 (opinion of Harlan, J.). In *Nguyen v. United States*, 539 U.S. 69 (2003), this Court prevented a non-Article-III judge from exercising Article III jurisdiction in a criminal case. In *Lamar v. United States*, 241 U.S. 103 (1916), the Court addressed whether a United States District Judge appointed in Michigan had jurisdiction to preside over a federal criminal trial in New York. *Id.* at 117-118. In *Freytag*, the Court addressed appointments within the Tax Court, which "exercise[d] judicial power to the exclusion of any other function" and was, unlike the Board here, determined by this Court to be "inde-

pendent of the Executive and Legislative Branches.” 501 U.S. at 891.

Unlike the constitutional arguments raised in those cases, petitioner’s challenge concerns the appointments of Executive Branch officials and does not affect the authority of any Article III court. See *FCC v. Pottsville Broad. Co.*, 309 U.S. 134, 141 (1940) (contrasting the relationship between courts in a unified Article III judicial system with the relationship between a court and an administrative agency). No compelling reason exists for excusing petitioner’s failure to observe the bedrock procedural rule that a non-jurisdictional argument is forfeited unless timely asserted. See *Olano*, 507 U.S. at 731.

2. Even if petitioner had not forfeited its Appointments Clause challenge, this Court’s review would be unwarranted because the question presented is one of little prospective importance. Administrative patent judges are now appointed by the Secretary of Commerce rather than by the Director of the USPTO. 2008 Act § 1(a)(1)(B), 122 Stat. 3014 (to be codified at 35 U.S.C. 6(a)). The Secretary of Commerce is indisputably a “Head[] of Department[]” under the Appointments Clause. See *Freytag*, 501 U.S. at 886; *id.* at 918-919 (Scalia, J., concurring in part and concurring in the judgment).

Petitioner takes issue (Pet. 15 n.3, 24-25) with the new requirement that the Secretary of Commerce appoint administrative patent judges “in consultation with” the Director of the USPTO (2008 Act § 1(a)(1)(B), 122 Stat. 3014 (to be codified at 35 U.S.C. 6(a))), but that consultation requirement creates no serious constitutional concern. In one of its earliest Appointments Clause decisions, this Court held that a statute under

which the Assistant Treasurer (an inferior officer in the Treasury Department) appointed clerks (also inferior officers) was constitutional because the appointments were required to be made “with the approbation of the Secretary of the Treasury.” *United States v. Hartwell*, 73 U.S. (6 Wall.) 385, 393-394 (1868); see *United States v. Moore*, 95 U.S. 760, 762 (1878) (holding that the Secretary of the Navy’s approval of the report of a board of examiners sufficed to appoint a “passed assistant-surgeon”); see also *Appointment and Removal of Inspectors of Customs*, 4 Op. Att’y Gen. 162, 164-165 (1843) (concluding that, under the Appointments Clause, a permanent customs inspector “can be regularly appointed by the Secretary of the Treasury on the nomination of the [district] collector [of customs]”). It follows *a fortiori* that the “consultation” requirement in the 2008 Act—which imposes fewer limits on the Secretary’s appointment power, neither requiring the Director to act first nor placing any binding limit on the Secretary’s ultimate selection of appointees—is consistent with the Appointments Clause.

3. Petitioner also challenges (Pet. 25-33) two other aspects of the 2008 Act: the Secretary’s discretion to deem re-appointments of administrative patent judges to be effective “on the date on which the Director initially appointed” them, and Congress’s express authorization of a defense that an administrative patent judge appointed by the Director before August 2008 was “acting as a de facto officer.” § 1(a)(1)(C), 122 Stat. at 3014 (to be codified at 35 U.S.C. 6(c) and (d)). As with petitioner’s principal constitutional argument, those questions were not addressed by the court of appeals, which is reason enough for this Court to decline to decide them in the first instance. The resolution of those questions,

moreover, would have no impact on the outcome of this case unless the Court considered and accepted petitioner's forfeited Appointments Clause challenge to the prior method of appointing administrative patent judges. In any event, petitioner's arguments lack merit and implicate no disagreement in the courts of appeals or conflict with this Court's decisions.

a. The 2008 Act authorizes the Secretary of Commerce, "in his or her discretion, [to] deem" the Secretary's appointment of that judge "to take effect on the date on which the Director initially appointed the administrative patent judge." § 1(a)(1)(C), 122 Stat. at 3014 (to be codified at 35 U.S.C. 6(c)). On August 12, 2008, the Secretary re-appointed all of the current administrative patent judges who were initially appointed between 2000 and 2008, effective on the respective dates they were appointed by the Director.

Contrary to petitioner's suggestion, it is well established that Congress may retroactively ratify executive actions, as well as authorize retroactive appointments of officers. See, e.g., *Swayne & Hoyt, Ltd. v. United States*, 300 U.S. 297, 301-302 (1937) ("It is well settled that Congress may, by enactment not otherwise inappropriate, 'ratify . . . acts which it might have authorized.'") (citation omitted); *United States v. Heinszen & Co.*, 206 U.S. 370 (1907) (upholding against a due process challenge a 1906 statute that ratified duties on imports to Philippine Islands levied by the President during a period of time when Congress had not yet authorized any such tariffs); *Quackenbush v. United States*, 177 U.S. 20, 26-27 (1900) (recognizing Congress's power to authorize the retroactive appointment of officers of the United States).

Petitioner's reliance (Pet. 26-27) on *Plaut, supra*, is misplaced. That case involved retroactive legislation that would have set aside the final judgments of Article III courts. The Court in *Plaut* expressly contrasted that impermissible result with "the miscellany of decisions upholding legislation that altered rights fixed by the final judgments of non-Article III courts or administrative agencies." 514 U.S. at 232 (citations omitted). Here, the provision that petitioner challenges does not alter any final judgments of Article III courts. Indeed, it does not even alter any rights fixed by judgments of the Board. Instead, it *affirms* the expectations of the affected patent owners and licensees rooted in the Board's adjudication of their disputes.

b. The other provision of the 2008 Act that petitioner now contests states: "It shall be a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge's having been originally appointed by the Director that the administrative patent judge so appointed was acting as a de facto officer." § 1(a)(1)(C), 122 Stat. at 3014 (to be codified at 35 U.S.C. 6(d)). As this Court has explained, the de-facto-officer doctrine "confers validity upon acts performed by a person acting under the color of official title even though it is later discovered that the legality of that person's appointment or election to office is deficient." *Ryder*, 515 U.S. at 180. The doctrine has deep historical roots, and it reflects this Court's longstanding recognition that "endless confusion would result if in every proceeding before * * * officers their title could be called in question." *Norton v. Shelby County*, 118 U.S. 425, 442 (1886).

Petitioner contends (Pet. 29) that application of the de-facto-officer doctrine in this case would "conflict[]

with the decisions of this Court," but it fails to demonstrate any actual conflict. This Court generally weighs at least four factors in considering whether to apply the doctrine. First, the doctrine rests on the "obviously sound policy of preventing litigants from abiding the outcome of a lawsuit and then overturning it if adverse upon a technicality of which they were previously aware." *Glidden Co.*, 370 U.S. at 535 (plurality opinion of Harlan, J.). In *Ryder*, the Court emphasized the importance of a timely objection, reasoning that "one who makes a timely challenge to the constitutional validity of the appointment of an officer who adjudicates his case is entitled to a decision on the merits of the question and whatever relief may be appropriate if a violation indeed occurred." 515 U.S. at 182-183. Unlike the private litigant in *Ryder*, petitioner did not raise its Appointment Clause challenge in a timely fashion. See p. 11, *supra*. In these circumstances, the de-facto-officer doctrine "prevent[s]" petitioner from "abiding the outcome of a lawsuit and then overturning it if adverse upon a technicality." *Glidden Co.*, 370 U.S. at 535 (plurality opinion of Harlan, J.).³

Second, the Court has "found a judge's actions to be valid *de facto* when there is a 'merely technical' defect of statutory authority." *Nguyen*, 539 U.S. at 77 (quoting *Glidden Co.*, 370 U.S. at 535 (plurality opinion of Harlan, J.)). The Court has described the difference between an appointment that was improper because of a "technical"

³ See *Andrade v. Lauer*, 729 F.2d 1475, 1499 (D.C. Cir. 1984) (holding that a plaintiff seeking to avoid application of the de-facto-officer doctrine must both "bring his action at or around the time that the challenged government action is taken * * * [and] show that the agency or department involved has had reasonable notice under all the circumstances of the claimed defect in the official's title to office").

defect and one infected by a more significant problem as “the difference between an action which could have been taken, if properly pursued, and one which could never have been taken at all.” *Id.* at 79. Here, there is no dispute that the administrative patent judges in question were “persons of competent legal knowledge and scientific ability,” as required by statute, 35 U.S.C. 6(a), and they were therefore eligible to serve notwithstanding any technical defect in their appointments.

Third, this Court has invoked the de-facto-officer doctrine to uphold the acts of an improperly constituted administrative commission, see *Buckley v. Valeo*, 424 U.S. 1, 142 (1976) (per curiam), and unconstitutionally apportioned state legislatures, see *ibid.* (citing *Connor v. Williams*, 404 U.S. 549, 550-551 (1972) (per curiam)). Although the Court has been reluctant to apply the doctrine when considering alleged incursions on Article III power,⁴ such cases implicate the Court’s role as guardian of Article III authority and supervisor of the federal courts. Here, by contrast, although the Board performs adjudicative functions, it is indisputably part of an Executive Branch agency. See *Dickinson v. Zurko*, 527 U.S. 150, 154 (1999). Any improper appointment of its members presents no Article III issues.

Fourth, the Court has shown great sensitivity to the practical consequences that rejection of the de-facto-officer doctrine would entail. The doctrine aims to prevent “the chaos that would result from multiple and repetitious suits challenging every action taken by every official whose claim to office could be open to question,

⁴ See *Nguyen, supra* (ruling on the statutory propriety of permitting a non-Article III judge to sit on a Ninth Circuit panel); *Glidden Co., supra* (deciding whether two “United States Courts” were Article III or Article I courts).

and * * * to protect the public by insuring the orderly functioning of the government despite technical defects in title to office." *Ryder*, 515 U.S. at 180 (quoting 63A Am. Jur. 2d *Public Officers and Employees* § 578, at 1080-1081 (1984)). Here, refusing to give Board decisions de facto validity would unsettle the expectations of patent holders and licensees.

In addition, whereas application of the de-facto-officer doctrine typically involves a reviewing court's application of judge-made rules governing the appropriate exercise of remedial discretion, the 2008 Act expressly provides that the doctrine "shall be a defense to a challenge" like the one presented here. § 1(a)(1)(C), 122 Stat. at 3014 (to be codified at 35 U.S.C. 6(d)). That directive reflects Congress's evident desire to prevent technical challenges from disrupting settled expectations in the manner described above, and it is controlling unless the Constitution precludes Congress from mandating de-facto-officer treatment in the circumstances of this case. Petitioner cites no decision in which this Court has declared unconstitutional a federal statutory provision calling for application of the de-facto-officer doctrine. And in light of petitioner's failure to raise its Appointments Clause challenge either before the Board or in its principal briefs in the court of appeals, the relevant provision of the 2008 Act is clearly constitutional as applied to this case.

4. Finally, this Court's review of the former method of appointing administrative patent judges is not warranted because of the limited practical significance of that issue. As petitioner acknowledges (Pet. 8-9 & n.2), there is only one other case in which a party has challenged a Board decision rendered by a panel that included judges appointed under the pre-August 12, 2008

appointments scheme. And the plaintiff in that case, *In re Hickman*, No. 2008-1437, 2009 WL 899806 (Fed. Cir. Apr. 3, 2009), also failed to raise any Appointments Clause objection before the Board.

CONCLUSION

The petition for a writ of certiorari should be denied.
Respectfully submitted.

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IN THE
Supreme Court of the United States

In re DBC

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE
FEDERAL CIRCUIT

REPLY BRIEF

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STATEMENT PURSUANT TO RULE 29.6

Petitioner's corporate disclosure statement was set forth at page *ii* of its Petition for a Writ of Certiorari, and there are no amendments to that statement.

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In its Opposition, the United States argues at length that Petitioner DBC, LLC ("DBC") waived its right to challenge the constitutionality of the appointments of at least two administrative patent judges appointed to the Board of Patent Appeals and Interferences ("Board"). DBC could not raise the issue before the Board because DBC did not become aware of the Board's composition until the hearing began. Furthermore, DBC did not waive its right to raise the Appointments Clause issue by bringing it before the Federal Circuit in supplemental, rather than opening, briefing. The Federal Circuit accepted DBC's supplemental briefing, heard extensive oral arguments on the merits of the Constitutional challenge, and addressed part of DBC's argument in its opinion.

The Government also argues that Congress has retroactively and prospectively cured any defect that may have existed by its 2008 Act amending 35 U.S.C. § 6(a). But the statute as amended remains unconstitutional and the retroactive authorization attempted by Congress exceeds its authority. The statute as amended is still unconstitutional because it does not vest in the Secretary of Commerce the absolute and unilateral power to appoint administrative patent judges. Further, Congress lacks the authority to retroactively render valid the acts of the unconstitutionally appointed administrative patent judges. Such an attempt trespasses upon separation of powers and is unprecedented as it exists in the current case.

Review by this Court is needed to ensure that the structural limitation on appointment in the Constitution is preserved from encroachment by the legislative branch and the separation of powers is maintained.

I. THE APPOINTMENTS CLAUSE CHALLENGE WAS TIMELY RAISED AND IS READY FOR SUPREME COURT REVIEW

A. DBC Did Not Waive Its Right To Bring This Appointments Clause Challenge

On the issue of whether DBC waived its constitutional challenge by not raising it with the Board, DBC relies upon the arguments put forward in its Petition, but further addresses the Government's position. In response to DBC's argument that its Appointments Clause challenge was not waived at the agency level, the Government asserts that accepting DBC's claim "would ratify a course of action that deprived the agency of any chance to consider measures that would have *avoided* the alleged constitutional problem." (Resp. 10 (emphasis added).) But the Government's argument actually highlights the need for Supreme Court review of the issues presented in this case. "Agencies do not ordinarily have jurisdiction to pass on the constitutionality of any federal statutes." *Nebraska v. EPA*, 331 F.3d 995, 997 (D.C. Cir. 2003)(citing *Thunder Basin Coal Co. v. Reich*, 510 U.S. 200, 214 (2004)). Thus the Board could have, *at best*, "avoided" the constitutional defect in a *specific* case by switching the panel after the challenge was raised, thereby rendering moot a *specific* party's challenge to the constitutionally infirm statute. But this sets a dangerous standard. The Government's reasoning in essence allows for an unconstitutional panel of the Board to decide a case whenever a party is not savvy enough to challenge the panel composition before the Board, and alternatively allows the Board to moot any challenge that is raised before it.

For example, the Government specifically asserts that DBC should have raised the issue before the Board because the “agency would have had the power to replace the panel members to whom the Petitioner now objects.” (Resp. 9-10.) But such a “reshuffling of the deck” has no effect on the unconstitutionality of the statute governing the appointment of Administrative Patent Judges. All that could happen is DBC’s “new hand” renders moot its challenge to the unconstitutionally appointed administrative patent judges, but those judges remain in the pool and will be assigned to new panels. Allowing the Board to simply reshuffle its judges each time a party challenges the constitutionality of its panel is tantamount to allowing the agency to circumvent the Constitution. Further, this “reshuffling” would create a constitutional violation capable of repetition yet avoiding review. Thus the Government’s reasoning for asserting that DBC waived its constitutional challenge by not bringing it before the Board, and its proposed solution that the Board can simply be reconstituted each time it is challenged, is an abrogation of “the public interest in having the legality of the of the practice settled” *United States v. W.T. Grant Co.*, 345 U.S. 629, 632 (1953) (concluding that voluntary cessation of allegedly illegal actions did not render the case moot).

B. The Appointments Clause Challenge Is Not Before The Supreme Court On First View

As discussed above and in its Petition, DBC timely raised the Appointments Clause challenge with the first body that could actually remedy the issue – the Court of Appeals for the Federal Circuit. Although DBC first raised the constitutional challenge in its supplemental brief, the Federal Circuit allowed DBC and the

Government to extensively argue the merits of DBC's constitutional challenge before the court on oral hearing. (09/03/08 Oral Argument at 1:06-9:58, 22:45-31:37.) And the Federal Circuit addressed a portion of these arguments in its opinion, although ultimately finding that DBC waived its challenge by failing to raise it before the Board. (App. 6a-15a.) In fact, the Federal Circuit, in determining whether to exercise its discretion to hear DBC's constitutional challenge, ruled that the new statute effectively cured the old constitutional violation (App. 13a-14a.), at once addressing the issue and implicitly ruling that a violation in fact existed and the new statute is constitutional.

Because the Federal Circuit has already heard the issues presented in this Petition, and has addressed at least a portion of those issues, DBC is not asking the Supreme Court to be a "court of first view" (although DBC notes that the Supreme Court has the discretion to hear DBC's challenge even if, as the Government argues, the issue was never considered by the court of appeals). (See Resp. 6-7.) The Appointments Clause violation in this case affects the validity of proceedings that comprise the very basis of litigation. *Freytag v. Commissioner*, 501 U.S. 868, 879 (1991). The issue is so important to preserving the propriety of the proceedings before the Board, and the separation of powers upon which our Constitution is based, that the Supreme Court should grant DBC's petition for writ of certiorari.

II. THE QUESTIONS PRESENTED ARE SIGNIFICANT AND SHOULD BE REVIEWED BY THE SUPREME COURT

A. There Is Prospective Importance Because The Amended Statute Is Unconstitutional

In its brief in opposition, the Government argues that the question presented “is one of little prospective importance” because “[a]dministrative patent judges are now appointed by the Secretary of Commerce rather than by the Director of the USPTO.” (Resp. 13.) However, the amended version of 35 U.S.C. § 6(a) does not vest absolute power to appoint administrative patent judges in the Secretary of Commerce. (2008 Act 1(a)(1)(B), 122 Stat. 3014 (to be codified at 35 U.S.C. § 6(a).) Rather, under the amended statute, the Secretary of Commerce may only appoint administrative patent judges “in consultation with” the Director of the USPTO. *Id.*

The Government argues that this statutory requirement “creates no serious constitutional concern.” (Resp. 13.) However, the cases cited by the Government do not eliminate constitutional concern. Neither case cited by the Government requires a head of department to consult with a subordinate before making an appointment under the Appointments Clause. In *United States v. Hartwell*, an assistant treasurer could appoint other inferior officers “with the approbation of the Secretary of the Treasury.” 73 U.S. (6 Wall.) 385, 393-394 (1868). The Assistant Treasurer in that case was required to consult with the head of department, the Secretary of the Treasury, before appointing other

inferior officers. Under the amended version of 35 U.S.C. § 6(a), the Secretary of Commerce, the head of department, is required to consult with the Under Secretary of Commerce, the Director of the USPTO. Further, in *United States v. Moore*, the Secretary of the Navy finalized appointments of naval surgeons as recommended by a board of naval surgeons “designated by the Secretary of the Navy.” 95 U.S. 760, 761 (1877). Conversely, the Secretary of Commerce does not designate the Director of the USPTO, with whom the Secretary must consult – the President of the United States appoints the Director of the USPTO. See 35 U.S.C. § 3(a)(1). Further, nothing in *Moore* indicated that the Secretary of the Navy lacked the ultimate decision-making power, as the Secretary of Commerce lacks pursuant to 2008 Act 1(a)(1)(B), 122 Stat. 3014 (to be codified at 35 U.S.C. § 6(a)).

B. Congress Cannot Retroactively Authorize An Action Contrary To The Constitution

The Government also argues that “it is well established that Congress may retroactively ratify executive actions, as well as authorized retroactive appointments of officers.” (Resp. 15.) But the cases cited for that proposition are inapposite here. In none of the cases the Government relies upon did the Court condone an attempt by Congress to erase a constitutional violation after it had already occurred. First, in *Swayne v. United States*, Congress retroactively authorized the Secretary of Commerce to exercise powers conferred by the Shipping Act to order cancellation of higher shipping rates. 300 U.S. 297, 299-300 (1937). The Court in *Swayne* found no constitutional violation in the first

instance. *Id.* In *United States v. Heinszen*, Congress retroactively authorized tariffs imposed on goods imported into the Philippines. 206 U.S. 370, 378 (1907). Congress was directly authorized to enact the legislation it later attempted to apply retroactively. In neither of these cases did any constitutional provision expressly prohibit Congress from granting the powers it retroactively applied. Contrastingly, under the U.S. Constitution, the Director of the United States Patent Office never had the power to appoint administrative patent judges.

The Government also cites *Quackenbush v. United States* for the premise that Congress may retroactively ratify otherwise illegal actions. (Resp. 15.) However, in *Quackenbush*, Congress authorized retroactive action that contravened *its own law*. 177 U.S. 20, 26 (1900). In the present case, Congress is not authorizing retroactive action that contravened its own law – it is trying to authorize retroactive action that violated the Constitution.

C. The *De Facto* Officer Doctrine Cannot Be Applied To Render Lawful The Actions Of The Unconstitutionally Appointed Judges

The Government attempts to characterize the unconstitutional appointment of the administrative patent judges in question as a “technical defect” so that the *de facto* officer doctrine might apply. (Resp. 18.) But as discussed in DBC’s Petition, under this Court’s precedent, the Appointments Clause is a structural requirement of the Constitution and an Appointments Clause violation constitutes a “structural defect.” (See

Pet. 16-17.) See also *Edmond v. United States*, 520 U.S. 651, 659, 663 (1997) (the requirements of the Appointments Clause are “among the significant structural safeguards of the constitutional scheme” and are “designed to preserve political accountability relative to important government assignments”); *Ryder v. United States*, 515 U.S. 177, 182 (1995) (the Appointments Clause “preserves another aspect of the Constitution’s structural integrity by preventing the diffusion of the appointment power.”).

The United States Department of Justice has acknowledged this Court’s position that the Appointments Clause “reflects more than a ‘frivolous’ concern for ‘etiquette or protocol.’” *Officers of the United States within the Meaning of the Appointments Clause*, 2007 OLC Lexis 3, at *2 (April, 16, 2007) (quoting *Buckley v. Valeo*, 424 U.S. 1, 125 (1976)). And the Department of Justice has further stated that it is “not within Congress’s power to exempt federal instrumentalities from the Constitution’s structural requirements, such as the Appointments Clause” and “Congress may not, for example, resort to the corporate form as an ‘artifice’ to ‘evade the ‘solemn obligations’ of the doctrine of separation of powers.’” *Id.* at *4 (quoting *The Constitutional Separation of Powers Between the President and Congress*, 20 Op. O.L.C. 124, 148 n.70 (1996)) (emphasis added).

Furthermore, the Government cites to *Nguyen v. United States* as support for its “technical defect” assertion. However, *Nguyen* distinguished itself from cases involving merely technical defects because in those cases, the judge whose assignment had been questioned “was otherwise qualified to serve, because he was ‘a judge of the United States District Court, having all the powers attached to

such office,' and because the Circuit Judge was otherwise empowered to designate him." *Nguyen*, 539 U.S. 69, 78 (2003). In the present case, DBC does not dispute the competency of administrative patent judges Tierney and Moore, but disputes that they were "qualified to serve." *Id.*; see also *American Constr. Co. v. Jacksonville, T. & K. W. R. Co.*, 148 U.S. 372, 387 (1893) ("If the statute made [the judge] incompetent to sit at the hearing, the decree in which he took part was unlawful, and perhaps absolutely void, and should certainly be set aside or quashed by any court having authority to review it by appeal, error or certiorari.") The appointments of the administrative patent judges at issue are challenged because they are rooted in an action which could never have been taken at all – that is, the vesting of power to appoint administrative patent judges with the Director of the USPTO.

The Government has also argued that the *de facto* officer doctrine should be held valid because of "practical consequences." Specifically the Government states that "refusing to give Board decisions *de facto* validity would unsettle the expectations of patent holders and licensees."¹ (Resp. 19.) However, DBC's Appointments Clause challenge does not affect all patent holders and licensees,

1. The Government also contends that review of "the former method of appointing administrative patent judges is not warranted because of the limited practical significance of that issue." (Resp. 19.) Because the validity of the *de facto* officer doctrine is tied to the validity of the "former method of appointing administrative patent judges," the Government's argument is at odds with its assertion of the unsettled expectations of patent holders and licensees. For the same reasons discussed herein, there is not limited practical significance to the issues raised in this Petition.

but only those cases capable of direct review. The vast majority of patent applicants who have received adverse decisions by the Board have exhausted their rights to judicial review, and consequently, have waived their rights to bring an Appointments Clause challenge. Thus, granting DBC's petition for a writ of certiorari will not affect a significant group of citizens, but will affect those parties who are currently before the Board of Patent Appeals and Interferences, a district court or the Federal Circuit, and who still have the right to raise an Appointments Clause challenge.

In support of the validity of the *de facto* officer defense in the current situation, the Government further cites to "Congress's evident desire" to afford a *de facto* defense. (Resp. 19.) But Congress's desire cannot circumvent the structural requirements of the Constitution, such as the Appointments Clause. *See, e.g., Ryder*, 515 U.S. at 182. And the Government's criticism that DBC "cites no decision in which this Court has declared unconstitutional a federal statutory provision calling for application of the de-facto-officer doctrine" is misguided. (Resp. 19.) In the current United States Code, there are only two instances where Congress has attempted to provide a statutory *de facto* defense: 35 U.S.C. § 6 and 15 USC § 1067, which addresses the appointment of administrative trademark judges and was amended at the same time as 35 U.S.C. § 6. DBC has been unable to find any case where a federal statutory provision calling for application of the *de facto* officer doctrine was *at issue*. The prior absence of such a challenge reaching this Court does not weigh against the Court ruling upon the constitutionality of the *de facto* officer doctrine as applied to the current situation.

CONCLUSION

For the foregoing reasons and those presented in DBC's Petition, the petition for writ of certiorari should be granted.

Respectfully submitted,

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